

COUNTY OF HOUGHTON, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended September 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Houghton County</u>	County <u>Houghton</u>
Audit Date <u>9/30/04</u>	Opinion Date <u>2/18/05</u>	Date Accountant Report Submitted to State: <u>3/30/05</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).		X	
Single Audit Reports (ASLGU).		X	

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co, PLC</u>			
Street Address <u>102 W. Washington, Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>Michael A. [Signature] CPA</u>			

TABLE OF CONTENTS

FINANCIAL REPORTS:

Independent Auditors' Report	5
Management's Discussion and Analysis	7

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Statement of Net Assets	14
Statement of Activities	15

Fund Financial Statements:

Governmental Funds Balance Sheet	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	20
Proprietary Funds Statement of Net Assets	21
Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets	22
Proprietary Funds Statement of Cash Flows	23
Fiduciary Funds Statement of Fiduciary Net Assets	24
Component Units Combining Statement of Net Assets	25
Component Units Combining Statement of Activities	26

Notes to Financial Statements	27
-------------------------------------	----

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	49
---	----

NONMAJOR GOVERNMENTAL FUNDS:

Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	58

Nonmajor Special Revenue Funds:

Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	61

Prosecutor's Forfeiture Account Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	63
---	----

Tri-County Community Corrections Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	64
---	----

Tri-County Work Camp Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	65
---	----

Houghton County Arts Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	66
Special Equipment & Reward Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	67
Drug Enforcement Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	68
Friend of the Court Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	69
DTRF Admin Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	70
Law Library Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	71
Justice Training Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	72
Prescription Drugs Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	73
CDBG Housing Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	74
Family Independence Agency Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	75
Child Care Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	76
Veteran's Trust Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	77
ROD Automation Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	78
Family Counseling Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	79
Economic Development Revolving Loan Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	80
ALERT Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	81
MSHDA R.R. Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	82

Industrial Development Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	83
WMD Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	84
SAP Grant:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	85
SHSGP Path II Training Grant:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	86
OEM Exercise Grant:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	87
Hazardous Material Grant:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	88
Nonmajor Debt Service Funds:	
Sewage Disposal #1 Bond Debt Retirement Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual.....	89
Nonmajor Capital Projects Funds:	
Combining Balance Sheet.....	90
Combining Schedule of Revenues, Expenditures and Changes in Fund	
Balance.....	91
ENTERPRISE FUNDS:	
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets.....	92
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	93
Combining Statement of Cash Flows	94
INTERNAL SERVICE FUNDS:	
Combining Statement of Net Assets	95
Combining Statement of Revenues, Expenses and Changes in Net Assets	96
Combining Statement of Cash Flows.....	97
FIDUCIARY FUNDS:	
Combining Statement of Net Assets	98
COMPLIANCE SUPPLEMENTS:	
Report on Internal Control over Financial Reporting and on Compliance and	
Other Matters Based on an Audit of Financial Statements Performed in Accordance	
With Government Auditing Standards.....	100
Report to Management Letter	102



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Houghton, Michigan
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, of the County of Houghton, Michigan as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the County of Houghton, Michigan at September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, on pages 7 through 13 is not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated February 18, 2005 on our consideration of the County of Houghton, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters.

Honorable Chairman and Members
of the Board of Commissioners
County of Houghton, Michigan

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Houghton, Michigan's basic financial statements. The combining and individual fund statements and schedules as listed as additional information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the County of Houghton, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 18, 2005

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the County of Houghton's financial performance provides an overview of the County's financial activities for the year ended September 30, 2004. Please read it in conjunction with the financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County as a whole decreased by \$556,756 as a result of this year's operations. Net assets of our business-type activities increased by \$127,747, or 1 percent, and net assets of our governmental activities decreased by \$684,503, or 19 percent.
- During the year, the County had expenses for governmental activities that were \$8,313,194 and expenses for business type activities that were \$15,363,650.
- The General Fund reported a net fund balance of \$350,732 this \$399,018 higher than the forecasted deficit balance of \$48,286.
- In the reporting year it was discovered errors were made in the cash reconciliation activity and also in the Trust and Agency accounts. Accordingly, the fund balance of the general fund was increased and restated by \$47,433.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 9. One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the *overall financial health* of the County.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including the legislative, judicial, public safety, recreation and culture, and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- Business-type activities – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are reported here.
- Component units – The County includes two separate legal entities in its report – the Western U.P. District Health Department and the Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Reporting the County's Most Significant Funds

Our analysis of the County's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the Delinquent Tax Revolving Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 24. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The County as a Whole

Table 1 provides a summary of the County's net assets as of September 30, 2004 and 2003.

Table 1
Net Assets

	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004	Governmental Activities – 2003	Business-Type Activities – 2003	Total Primary Government – 2003
Current and other assets	\$3,307,103	\$7,104,117	\$10,411,220	\$5,143,976	\$7,488,863	\$12,632,839
Capital assets, net	3,104,693	10,943,655	14,048,348	2,229,663	10,304,270	12,533,933
Total Assets	6,411,796	18,047,772	24,459,568	7,373,639	17,793,133	25,166,772
Current liabilities	1,240,487	1,790,837	3,031,324	2,014,239	1,630,267	3,644,506
Noncurrent liabilities	2,187,964	65,227	2,253,191	1,738,985	98,905	1,837,890
Total Liabilities	3,428,451	1,856,064	5,284,515	3,753,224	1,729,172	5,482,396
Net Assets:						
Invested in capital assets, net of related debt	1,309,554	10,865,660	12,175,214	1,202,204	10,170,740	11,372,944
Restricted	51,329	-	51,329	50,528	-	50,528
Unrestricted	1,622,462	5,326,048	6,948,510	2,367,683	5,893,221	8,260,904
Total Net Assets	\$2,983,345	\$16,191,708	\$19,175,053	\$3,620,415	\$16,063,961	\$19,684,376

Net assets of the County's governmental activities stood at \$2,983,345. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,622,462.

The \$1,622,462 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$16,191,708. The County can generally only use these net assets to finance continuing operations of Medical Care Facility, the Airport and other enterprise operations.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004 and 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Changes in Net Assets

	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004	Governmental Activities – 2003	Business- Type Activities – 2003	Total Primary Government – 2003
Revenues						
Program Revenues:						
Charges for services	\$1,761,947	\$15,406,229	\$17,168,176	\$1,526,056	\$15,294,034	\$16,820,090
Operating grants and contributions	2,025,284	-	2,025,284	1,541,093	-	1,541,093
Capital grants and contributions	6,500	-	6,500	67,500	-	67,500
General Revenues:						
Property taxes	3,146,569	-	3,146,569	3,023,000	-	3,023,000
State Sources	530,968	-	530,968	937,145	-	937,145
Interest	99,351	5,168	104,519	242,125	9,356	251,481
Miscellaneous	138,072	-	138,072	104,996	-	104,996
Total Revenues	7,708,691	15,411,397	23,120,088	7,441,915	15,303,390	22,745,305
Program Expenses:						
Legislative	112,474	-	112,474	108,840	-	108,840
Judicial	1,344,866	-	1,344,866	1,188,699	-	1,188,699
Elections	12,491	-	12,491	18,071	-	18,071
General Services and Administration	1,665,601	-	1,665,601	1,639,779	-	1,639,779
Public Safety	1,987,179	-	1,987,179	1,750,833	-	1,750,833
Public Works	33,945	-	33,945	31,298	-	31,298
Health and Welfare	734,823	-	734,823	596,795	-	596,795
Community and Economic Development	647,224	-	647,224	-	-	-
Recreation and Culture	142,673	-	142,673	138,667	-	138,667
Other	1,603,226	-	1,603,226	1,596,717	-	1,596,717
Interest on Long-Term Debt	28,692	-	28,692	41,611	-	41,611
Medical Care Facility	-	12,810,096	12,810,096	-	12,411,354	12,411,354
Airport	-	1,146,106	1,146,106	-	1,089,739	1,089,739
911	-	617,670	617,670	-	616,504	616,504
Solid Waste Transfer	-	538,377	538,377	-	516,778	516,778
Airport Water/Sewer	-	40,186	40,186	-	39,497	39,497
Airport Testing	-	1,763	1,763	-	1,974	1,974
Marina	-	209,452	209,452	-	179,938	179,938
Total Expenses	8,313,194	15,363,650	23,676,844	7,111,310	14,855,784	21,967,094
Excess (deficiency) before transfers	(604,503)	47,747	(556,756)	330,605	447,606	778,211
Transfers	(80,000)	80,000	-	(138,500)	138,500	-
Increase (decrease) in net assets	(684,503)	127,747	(556,756)	192,105	586,106	778,211
Net assets, beginning, as restated	3,667,848	16,063,961	19,731,809	3,428,310	15,477,855	19,333,065
Net Assets, Ending	\$2,983,345	\$16,191,708	\$19,175,053	\$3,620,415	\$16,063,961	\$19,684,376

The County's total revenues were \$23,120,088. The total cost of all programs and services was \$23,676,844 leaving a decrease in net assets of \$556,756. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the County's governmental activities decreased \$(684,503) for the year ended September 30, 2004 as opposed to an increase of \$192,105 in the previous year. Although the County's General Fund revenues increased by 5% from 2003 to 2004, a 6% increase in wages and benefits, capital expenditures for the County Courthouse and Jail, payments on recently incurred long-term debt, increases in transfers out and ever increasing State mandates combined to drive up expenditures in excess of the increase in revenues.

Table 3 presents the cost of each of the five largest programs – Public Safety, General Services and Administration, Other Functions, Judicial and Health/Welfare– as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the County's operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Public Safety	\$1,987,179	\$1,332,789
General services and administration	1,665,601	608,318
Other Functions	1,603,226	1,603,226
Judicial	1,344,866	131,552
Health and Welfare	734,823	532,033

Business-type Activities

During the year ended September 30, 2004, the net assets of the County's business type activities increased by \$127,747, as opposed to an increase of \$586,106 in the previous year. The decrease in growth of net assets was due mainly to a \$206,104 loss in the Airport Fund in 2004 versus a loss of only \$29,721 in the prior year. The Houghton County Medical Care Facility's income also shrank from \$656,818 for the year ended September 30, 2003 to \$334,012 for the year ended September 30, 2004 due primarily to an increase in operating expenses.

THE COUNTY'S FUNDS

For the year ended September 30, 2004, the County's governmental funds reported a combined fund balance decrease (as presented on the balance sheet on page 16) of \$805,681 resulting in a total fund balance of \$1,217,373 as of September 30, 2004. As previously noted, the decrease was due to an increase in operational expenditures and transfers, capital expenditures and first time payments on new long-term debt.

The net assets of the County's General Fund and all other government decreased by \$463,815 in 2004 and an increase \$149,532 in 2003, as a result of standard governmental operations.

General Fund Budgetary Highlights

Over the course of the year the County Commission revises the budget, with these adjustments; actual charges to expenditures were \$299,037 less than the final amended budget. Conversely, revenues were \$39,733 less than the final amended budget. Significant budget fluctuations include a revenue shortfall of \$105,488 in state revenue sharing and under expenditures of \$61,175 and \$32,608 in fringe benefits and capital purchases, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the County had \$14,048,348 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 4
Schedule of Capital Assets

	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004	Governmental Activities – 2003	Business-Type Activities – 2003	Total Primary Government – 2003
Land	\$1,117,565	\$ 42,854	\$1,160,419	\$675,000	\$ 42,854	\$ 717,854
Buildings and improvements	983,170	6,512,448	7,495,618	1,415,676	7,541,402	8,957,078
Equipment and furnishings	136,903	1,548,959	1,685,862	489,431	4,436,078	4,925,509
Infrastructure	-	2,315,571	2,315,571	-	2,819,577	2,819,577
Construction in progress	<u>867,055</u>	<u>523,823</u>	<u>1,390,878</u>	<u>583,295</u>	<u>2,744,042</u>	<u>3,327,337</u>
	<u>\$3,104,693</u>	<u>\$10,943,655</u>	<u>\$14,048,348</u>	<u>\$3,163,402</u>	<u>\$17,583,953</u>	<u>\$20,747,355</u>

Debt

At year-end, the County had \$2,091,419 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Schedule of Long-Term Debt

	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004	Governmental Activities – 2003	Business- Type Activities – 2003	Total Primary Government – 2003
General Obligation Bonds	\$1,250,000	\$ -	\$1,250,000	\$1,335,000	\$ -	\$1,335,000
Contracts and notes payable	<u>746,026</u>	<u>95,393</u>	<u>841,419</u>	<u>32,459</u>	<u>133,530</u>	<u>165,989</u>
	<u>\$1,996,026</u>	<u>\$95,393</u>	<u>\$2,091,419</u>	<u>\$1,367,459</u>	<u>\$133,530</u>	<u>\$1,500,989</u>

During the year ended September 30, 2004, the Medical Care Facility continued their facility improvement project which increased with additional \$1,388,279 paid from fund balance. The residual \$28,268 in Business Type Activities was for equipment purchase through out these funds. The Business Type Activities had \$777,162 in Depreciation expense for the year. The Government Activities had capital asset additions of \$969,690 of which \$425,000 was an increase to Land, to clean up the former Houghton High School Site paid with Brownfield Redevelopment Authority Tax Incremental Revenue Loan. A new jail ventilation system and roof project was completed for \$201,219 paid with a Superior National Bank Installment Loan of \$146,981. Another \$333,601 was added to Construction in Progress from this fiscal years work on the Courthouse Improvement Project from the prior year. The residual \$9,870 in capital asset additions was for miscellaneous equipment purchases. The Governmental Activities record \$94,660 in depreciation expense for the fiscal year.

Two additional long term liabilities were record in the current fiscal year. A Michigan Economic Development Community Development Block Grant Repayment for \$61,200 was recorded as a result of not meeting the long-term job creation requirements of a CDBG Airpark Improvements Grant and \$139,687 was added for the advance from the State of Michigan for Revenue Sharing, which is to be paid back from the State Revenue Sharing Fund created in December of 2004.

The Governmental Activities had \$144,301 in principal payment reductions and the Business Type Activities had \$38,137 in principal payment reductions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the County's budget for the year ended September 30, 2005, the current economic health of the State of Michigan was of great concern. The prolonged economic turndown has caused a significant reduction in State revenues which threatens to affect any area within Houghton County that receives revenue from the State.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Controller's Office at Houghton County Courthouse, Houghton, Michigan 49931.

County of Houghton, Michigan

STATEMENT OF NET ASSETS

September 30, 2004

	Primary Government		Total	Component Units
	Governmental Activities	Business Type Activities		
ASSETS				
Current Assets:				
Cash and investments	\$ 1,222,372	\$ 2,512,016	\$ 3,734,388	\$ 248,583
Cash and investments - restricted	-	2,384,814	2,384,814	466,115
Receivables (net)	1,823,000	2,005,433	3,828,433	2,049,042
Primary government internal balances	151,791	(151,791)	-	-
Inventory	-	175,419	175,419	565,304
Prepaid expenses and other assets	109,940	178,226	288,166	100,476
TOTAL CURRENT ASSETS	3,307,103	7,104,117	10,411,220	3,429,520
Non-current assets:				
Land	1,117,565	42,854	1,160,419	168,148
Other capital assets	3,015,527	19,712,646	22,728,173	16,336,544
Accumulated depreciation	(1,028,399)	(8,811,845)	(9,840,244)	(7,911,021)
Total Capital Assets	3,104,693	10,943,655	14,048,348	8,593,671
TOTAL NON-CURRENT ASSETS	3,104,693	10,943,655	14,048,348	8,593,671
TOTAL ASSETS	6,411,796	18,047,772	24,459,568	12,023,191
LIABILITIES:				
Current Liabilities:				
Accounts payable	749,702	487,320	1,237,022	230,557
Accrued liabilities	108,890	743,954	852,844	528,736
Deferred revenue	62,838	59,769	122,607	207,065
Compensated absences	148,266	469,628	617,894	225,629
Current portion of bonds payable	95,000	-	95,000	-
Current portion of notes and contracts payable	75,791	30,166	105,957	143,892
TOTAL CURRENT LIABILITIES	1,240,487	1,790,837	3,031,324	1,335,879
Non-current Liabilities:				
Compensated absences	362,729	-	362,729	486,576
Bonds payable	1,155,000	-	1,155,000	-
Long-term contracts and notes payable	670,235	65,227	735,462	348,531
Other	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	2,187,964	65,227	2,253,191	835,107
TOTAL LIABILITIES	3,428,451	1,856,064	5,284,515	2,170,986
NET ASSETS				
Invested in capital assets net of related debt	1,309,554	10,865,660	12,175,214	8,101,248
Restricted for:				
Debt Service	51,329	-	51,329	-
Other activities	-	-	-	-
Unrestricted	1,622,462	5,326,048	6,948,510	1,750,957
TOTAL NET ASSETS	\$ 2,983,345	\$ 16,191,708	\$ 19,175,053	\$ 9,852,205

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2004

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Legislative	\$ 112,474	\$ -	\$ -	\$ -	\$ (112,474)	\$ -	\$ (112,474)	\$ -
Judicial	1,344,866	456,004	757,310	-	(131,552)	-	(131,552)	-
Elections	12,491	-	-	-	(12,491)	-	(12,491)	-
General services and administration	1,665,601	991,006	59,777	6,500	(608,318)	-	(608,318)	-
Public safety	1,987,179	180,456	473,934	-	(1,332,789)	-	(1,332,789)	-
Public works	33,945	-	-	-	(33,945)	-	(33,945)	-
Health and welfare	734,823	8,825	193,965	-	(532,033)	-	(532,033)	-
Community and economic development	647,224	21,346	540,298	-	(85,580)	-	(85,580)	-
Recreation and culture	142,673	6,854	-	-	(135,819)	-	(135,819)	-
Other	1,603,226	-	-	-	(1,603,226)	-	(1,603,226)	-
Debt service	28,692	97,456	-	-	68,764	-	68,764	-
Total Governmental Activities	8,313,194	1,761,947	2,025,284	6,500	(4,519,463)	-	(4,519,463)	-
Business Type Activities:								
Medical Care Facility	12,810,096	13,144,108	-	-	-	334,012	334,012	-
Airport	1,146,106	797,175	-	-	-	(348,931)	(348,931)	-
911	617,670	621,981	-	-	-	4,311	4,311	-
Solid waste transfer	538,377	607,697	-	-	-	69,320	69,320	-
Airport water/sewer	40,186	36,653	-	-	-	(3,533)	(3,533)	-
Airport testing	1,763	-	-	-	-	(1,763)	(1,763)	-
Marina	209,452	198,615	-	-	-	(10,837)	(10,837)	-
Total Business Type Activities	15,363,650	15,406,229	-	-	-	42,579	42,579	-
TOTAL PRIMARY GOVERNMENT	\$ 23,676,844	\$ 17,168,176	\$ 2,025,284	\$ 6,500	(4,519,463)	42,579	(4,476,884)	-
Component Units:								
Western U.P. District Health Department	6,074,298	4,277,146	1,855,444	-	-	-	-	58,292
Road Commission	4,508,554	50,269	4,091,194	1,524,974	-	-	-	1,157,883
TOTAL COMPONENT UNITS	\$ 10,582,852	\$ 4,327,415	\$ 5,946,638	\$ 1,524,974	-	-	-	1,216,175
General Revenues:								
Taxes								
Unrestricted State sources								
Interest and investment earnings								
Miscellaneous								
Transfers								
		3,146,569	-	-	3,146,569	-	3,146,569	428,216
		530,968	-	-	530,968	-	530,968	-
		99,351	5,168	-	104,519	-	104,519	2,663
		138,072	-	-	138,072	-	138,072	73,902
		(80,000)	80,000	-	-	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS		3,834,960	85,168	-	3,920,128	-	3,920,128	504,781
CHANGE IN NET ASSETS		(684,503)	127,747	-	(556,756)	-	(556,756)	1,720,956
Net assets, beginning of year, as restated		3,667,848	16,063,961	-	19,731,809	-	19,731,809	8,131,249
NET ASSETS, END OF YEAR		\$ 2,983,345	\$ 16,191,708	\$ -	\$ 19,175,053	\$ -	\$ 19,175,053	\$ 9,852,205

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ 960,689	\$ 960,689
Receivables	626,190	29,576	655,766
Taxes receivable - delinquent personal	108,890	-	108,890
Due from State	-	32,140	32,140
Due from others	-	-	-
Due from other funds	402,271	-	402,271
Prepaid and other assets	47,102	62,838	109,940
TOTAL ASSETS	\$ 1,184,453	\$ 1,085,243	\$ 2,269,696
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Cash and investments overdraft	\$ 670,509	\$ 10,145	\$ 680,654
Accounts payable	100,650	103,925	204,575
Due to others	13,852	-	13,852
Due to State	-	35,623	35,623
Due to other funds	-	-	-
Accrued payroll and related	24,473	2,952	27,425
Accrued sick and vacation	24,237	3,119	27,356
Deferred revenue	-	62,838	62,838
TOTAL LIABILITIES	833,721	218,602	1,052,323
FUND BALANCE:			
Reserved for:			
Debt service	-	51,329	51,329
Unreserved, reported in:			
General Fund	350,732	-	350,732
Special Revenue Funds	-	657,358	657,358
Capital Projects Funds	-	157,954	157,954
TOTAL FUND BALANCE	350,732	866,641	1,217,373
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,184,453	\$ 1,085,243	\$ 2,269,696

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

September 30, 2004

Total Fund Balances for Governmental Funds \$ 1,217,373

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds 3,104,693

Internal service funds are used by management to administer the
activities of the Delinquent Tax Revolving Funds. The assets and
liabilities of the internal service funds are included in governmental
activities in the statement of net assets, net of capital assets. 1,172,934

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 95,000	
Current portion of notes and contracts payable	75,791	
Current portion of compensated absences	120,910	
Accrued interest on bonds	31,990	
Compensated absences	362,729	
Bonds payable	1,155,000	
Long-term contracts and notes payable	670,235	
		<u>(2,511,655)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,983,345

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 3,170,130	\$ -	\$ 3,170,130
Licenses and permits	281,274	-	281,274
Federal sources	23,184	655,744	678,928
State sources	1,573,153	298,552	1,871,705
Local units	-	187,511	187,511
Charges for services	888,325	17,481	905,806
Fines and forfeits	-	4,500	4,500
Interest	131,680	11,809	143,489
Other	178,599	176,555	355,154
TOTAL REVENUES	6,246,345	1,352,152	7,598,497
EXPENDITURES:			
Current operations:			
Legislative	111,334	-	111,334
Judicial	1,318,939	25,927	1,344,866
Elections	12,491	-	12,491
General services and administration	1,536,408	406,256	1,942,664
Public safety	1,467,390	614,975	2,082,365
Public works	33,945	-	33,945
Health and welfare	2,000	551,536	553,536
Community and economic development	-	586,024	586,024
Recreation and culture	142,673	-	142,673
Other	1,597,081	6,145	1,603,226
Debt service	61,035	97,000	158,035
TOTAL EXPENDITURES	6,283,296	2,287,863	8,571,159
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,951)	(935,711)	(972,662)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	146,981	-	146,981
Transfers in	353,500	602,345	955,845
Transfers out	(927,345)	(8,500)	(935,845)
TOTAL OTHER FINANCING SOURCES (USES)	(426,864)	593,845	166,981
CHANGE IN FUND BALANCE	(463,815)	(341,866)	(805,681)
Fund balance, beginning of year, as restated	814,547	1,208,507	2,023,054
FUND BALANCE, END OF YEAR	\$ 350,732	\$ 866,641	\$ 1,217,373

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (805,681)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 969,690	
Depreciation expense	<u>(94,660)</u>	875,030

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (772,869)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 144,300

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (14,956)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (20,992)

Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The net revenue of the internal service funds are included in governmental activities in the statement of net assets. (89,335)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (684,503)</u>
---	---------------------

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,126,464	\$ 3,170,378	\$ 3,170,130	\$ (248)
Licenses and permits	221,050	278,050	281,274	3,224
Federal sources	27,000	27,000	23,184	(3,816)
State sources	1,760,815	1,678,600	1,573,153	(105,447)
Charges for services	961,700	852,100	888,325	36,225
Interest	325,000	125,000	131,680	6,680
Other revenues	140,420	154,950	178,599	23,649
TOTAL REVENUES	6,562,449	6,286,078	6,246,345	(39,733)
EXPENDITURES:				
Legislative	111,250	112,750	111,334	1,416
Judicial	1,362,653	1,398,135	1,318,939	79,196
Elections	26,125	26,125	12,491	13,634
General services and administration	1,097,130	1,297,222	1,247,648	49,574
Public safety	1,757,860	1,507,198	1,467,390	39,808
Public works	34,102	34,377	33,945	432
Health and welfare	97,719	2,000	2,000	-
Recreation and culture	75,085	144,879	142,673	2,206
Other	1,450,650	1,677,243	1,597,081	80,162
Capital outlay	200,000	382,404	288,760	93,644
Debt service	-	-	61,035	(61,035)
TOTAL EXPENDITURES	6,212,574	6,582,333	6,283,296	299,037
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	349,875	(296,255)	(36,951)	259,304
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	146,981	146,981
Transfers in	352,000	352,000	353,500	1,500
Transfers (out)	(867,759)	(696,145)	(752,345)	(56,200)
Transfers to component units	(175,000)	(175,000)	(175,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(690,759)	(519,145)	(426,864)	92,281
CHANGE IN FUND BALANCE	(340,884)	(815,400)	(463,815)	351,585
Fund balance, beginning of year, as restated	1,044,485	767,114	814,547	47,433
FUND BALANCE, END OF YEAR	\$ 703,601	\$ (48,286)	\$ 350,732	\$ 399,018

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

September 30, 2004

	Business - Type Activities: Enterprise Funds				Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 3,176,237	\$ -	\$ 340,219	\$ 3,516,456	\$ 942,337
Cash and investments-restricted	2,207,214	177,600	-	2,384,814	-
Accounts receivable, net	870,720	68,731	151,101	1,090,552	-
Accrued interest receivable	-	-	-	-	76,902
Delinquent taxes receivable	255,907	-	-	255,907	905,343
Due from State	658,974	-	-	658,974	-
Due from others	-	-	-	-	40,488
Due from other funds	-	-	-	-	90,439
Inventory	115,994	50,072	9,353	175,419	-
Prepaid and other assets	147,639	16,513	14,074	178,226	-
TOTAL CURRENT ASSETS	7,432,685	312,916	514,747	8,260,348	2,055,509
Non-current Assets:					
Land	13,827	-	29,027	42,854	-
Capital assets	13,207,879	4,729,479	1,775,288	19,712,646	-
Accumulated depreciation	(6,240,149)	(1,752,892)	(818,804)	(8,811,845)	-
TOTAL NON-CURRENT ASSETS	6,981,557	2,976,587	985,511	10,943,655	-
TOTAL ASSETS	14,414,242	3,289,503	1,500,258	19,204,003	2,055,509
LIABILITIES					
Current Liabilities:					
Cash fund overdraft	-	985,012	19,428	1,004,440	-
Accounts payable	397,995	33,311	56,014	487,320	-
Due to other units	-	-	-	-	545,127
Due to other funds	-	-	151,791	151,791	337,448
Accrued payroll and related liabilities	77,046	2,984	5,271	85,301	-
Accrued sick and vacation pay	407,363	40,301	21,964	469,628	-
Resident trust funds	3,822	-	-	3,822	-
Medicaid interim payments	654,831	-	-	654,831	-
Deferred revenue	-	-	59,769	59,769	-
Current portion of long-term debt	-	12,768	17,398	30,166	-
TOTAL CURRENT LIABILITIES	1,541,057	1,074,376	331,635	2,947,068	882,575
Non-current Liabilities:					
Notes payable	-	30,430	34,797	65,227	-
TOTAL NON-CURRENT LIABILITIES	-	30,430	34,797	65,227	-
TOTAL LIABILITIES	1,541,057	1,104,806	366,432	3,012,295	882,575
NET ASSETS					
Invested in capital assets net of related debt	6,981,557	2,933,389	950,714	10,865,660	-
Unrestricted	5,891,628	(748,692)	183,112	5,326,048	1,172,934
TOTAL NET ASSETS	\$ 12,873,185	\$ 2,184,697	\$ 1,133,826	\$ 16,191,708	\$ 1,172,934

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended September 30, 2004

	Business - Type Activities: Enterprise Funds			Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-major Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Charges for services (net)	\$ 11,294,600	\$ 682,518	\$ 1,428,345	\$ 13,405,463
Penalties and interest on taxes	-	-	-	-
Interest earned	-	-	-	-
Collection fee on taxes	-	-	-	-
Other operating revenue	20,654	114,657	36,601	171,912
TOTAL OPERATING REVENUES	11,315,254	797,175	1,464,946	13,577,375
OPERATING EXPENSES:				
Operating expenses	11,851,525	992,421	1,281,668	14,125,614
Depreciation	497,697	153,685	125,780	777,162
TOTAL OPERATING EXPENSES	12,349,222	1,146,106	1,407,448	14,902,776
OPERATING INCOME (LOSS)	(1,033,968)	(348,931)	57,498	(1,325,401)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	-	13	5,155	5,168
Other non-operating revenues	1,828,854	-	-	1,828,854
Maintenance of effort	(460,874)	-	-	(460,874)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,367,980	13	5,155	1,373,148
INCOME (LOSS) BEFORE TRANSFERS	334,012	(348,918)	62,653	47,747
Transfers in	-	150,000	7,186	157,186
Transfers (out)	-	(7,186)	(70,000)	(77,186)
CHANGE IN NET ASSETS	334,012	(206,104)	(161)	127,747
Net assets, beginning of year, as restated	12,539,173	2,390,801	1,133,987	16,063,961
NET ASSETS, END OF YEAR	\$ 12,873,185	\$ 2,184,697	\$ 1,133,826	\$ 16,191,708

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2004

	Business -Type Activities: Enterprise Funds				Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-major Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from fees and charges for services	\$ 11,604,150	\$ 652,281	\$ 1,384,867	\$ 13,641,298	\$ 299,642
Other operating revenues	20,654	114,657	96,370	231,681	38,813
Cash payments to employees for services	(7,185,710)	(306,834)	(446,533)	(7,939,077)	-
Cash payments for payroll taxes	(590,071)	(21,439)	(33,940)	(645,450)	-
Cash payments to suppliers for goods and services	(4,088,576)	(677,756)	(798,754)	(5,565,086)	-
Other operating expenses	-	-	-	-	(64,216)
Cash received from (paid for) delinquent taxes	-	-	-	-	(19,891)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(239,553)	(239,091)	202,010	(276,634)	254,348
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Cash received from property and other taxes	1,563,642	-	-	1,563,642	-
Cash received from proportionate share reimbursement, net of intergovernmental transfers	490,175	-	-	490,175	-
Cash received from contributions and other sources	6,632	-	-	6,632	-
Cash payments for County maintenance of effort	(460,874)	-	-	(460,874)	-
Increase (decrease) in due to other funds	-	-	-	-	(173,524)
Transfers in (out)	-	142,814	(62,814)	80,000	(275,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	1,599,575	142,814	(62,814)	1,679,575	(448,524)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash payments for capital assets	(1,393,897)	(2,000)	(20,650)	(1,416,547)	-
Principal payments on notes	-	(17,228)	(20,909)	(38,137)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,393,897)	(19,228)	(41,559)	(1,454,684)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	-	13	5,155	5,168	-
(Additions) deductions to board designated and restricted assets	-	(68,999)	-	(68,999)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(68,986)	5,155	(63,831)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,875)	(184,491)	102,792	(115,574)	(194,176)
Cash and cash equivalents, beginning of year	5,413,504	(800,521)	217,999	4,830,982	1,136,513
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,379,629	\$ (985,012)	\$ 320,791	\$ 4,715,408	\$ 942,337
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,033,968)	\$ (348,931)	\$ 57,498	\$ (1,325,401)	\$ 185,665
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	497,697	153,685	125,780	777,162	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	231,588	(30,237)	(43,478)	157,873	-
(Increase) decrease in due from State	(12,262)	-	-	(12,261)	-
(Increase) decrease in accrued interest receivable	-	-	-	-	88,574
(Increase) decrease in delinquent taxes receivable	-	-	-	-	137,935
(Increase) decrease in due from others	-	-	-	-	207
(Increase) decrease in inventory	(5,103)	(4,181)	(3,545)	(12,829)	-
(Increase) decrease in prepaid expenses	(25,601)	(1,739)	1,234	(26,106)	-
Increase (decrease) in accounts payable	217,369	11,506	4,140	233,015	-
Increase (decrease) in accrued payroll and related liabilities	(230,984)	(4,951)	(6,590)	(242,525)	-
Increase (decrease) in accrued sick and vacation	31,487	(14,243)	7,202	24,446	-
Increase (decrease) in Medicaid interim payments	90,224	-	-	90,225	-
Increase (decrease) in due to others	-	-	-	-	(158,033)
Increase (decrease) in deferred revenue	-	-	59,769	59,768	-
NET ADJUSTMENTS	794,415	109,840	144,512	1,048,768	68,683
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (239,553)	\$ (239,091)	\$ 202,010	\$ (276,633)	\$ 254,348

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,375,981
Due from other funds	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,375,981</u></u>
LIABILITIES	
Due to other funds	\$ 3,471
Due to others	<u>1,372,510</u>
TOTAL LIABILITIES	<u><u>\$ 1,375,981</u></u>

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	Western U.P. District Health Department	Road Commission	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 247,983	\$ 600	\$ 248,583
Investments	-	466,115	466,115
Receivables, net	1,408,672	639,036	2,047,708
Due from others	1,334	-	1,334
Inventory	-	565,304	565,304
Prepaid expenses and other assets	96,719	3,757	100,476
TOTAL CURRENT ASSETS	1,754,708	1,674,812	3,429,520
Restricted Assets	-	-	-
Non-Current Assets:			
Capital assets:			
Land	90,000	78,148	168,148
Other capital assets	1,628,442	14,708,102	16,336,544
Accumulated depreciation	(776,872)	(7,134,149)	(7,911,021)
Total Capital Assets	941,570	7,652,101	8,593,671
TOTAL NON-CURRENT ASSETS	941,570	7,652,101	8,593,671
TOTAL ASSETS	2,696,278	9,326,913	12,023,191
LIABILITIES			
Current Liabilities:			
Accounts payable	124,220	106,337	230,557
Due to State of Michigan	10,000	-	10,000
Accrued payroll	202,146	22,407	224,553
Deferred revenue	207,065	-	207,065
Compensated absences - current portion	130,629	95,000	225,629
Current portion of notes and contracts payable	143,892	-	143,892
Advances	-	294,183	294,183
TOTAL CURRENT LIABILITIES	817,952	517,927	1,335,879
Non-current Liabilities:			
Compensated absences	205,375	281,201	486,576
Notes payable	348,531	-	348,531
TOTAL NON-CURRENT LIABILITIES	553,906	281,201	835,107
TOTAL LIABILITIES	1,371,858	799,128	2,170,986
NET ASSETS			
Invested in capital assets net of related debt	449,147	7,652,101	8,101,248
Unrestricted	875,273	875,684	1,750,957
TOTAL NET ASSETS	\$ 1,324,420	\$ 8,527,785	\$ 9,852,205

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

September 30, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Western U.P. District Health Department	Road Commission	Total
Western U.P. District Health Department Operations	\$ 4,277,146	\$ 1,855,444	\$ -	\$ 58,292	\$ -	58,292
Road Commission Operations	50,269	4,091,194	1,524,974	-	1,157,883	1,157,883
TOTAL COMPONENT UNITS	\$ 4,327,415	\$ 5,946,638	\$ 1,524,974	58,292	1,157,883	1,216,175
General Revenues:						
Property taxes				-	428,216	428,216
Interest and investment earnings				-	2,663	2,663
Miscellaneous				-	73,902	73,902
TOTAL GENERAL REVENUES AND EXTRAORDINARY ITEMS					504,781	504,781
CHANGE IN NET ASSETS						
Net assets, beginning of year				58,292	1,662,664	1,720,956
				1,266,128	6,865,121	8,131,249
NET ASSETS, END OF YEAR	\$ 1,324,420	\$ 8,527,785	\$ 9,852,205			

COUNTY OF HOUGHTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Houghton, Michigan was organized in 1845 and covers an area of approximately 1,031 square miles with the County Seat located in Houghton, Michigan. The County operates under an elected Board of Commissioners of five (5) members and provides services, assistance and care to its residents.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the County are described below.

(1) REPORTING ENTITY

The County's financial statements present the County (the primary government) and its component units. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Units

The Houghton County Family Independence Agency is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although the employees are employed by the State of Michigan, and the State pays for many of the programs, the entity is considered part of the primary government because State law makes it a county organization.

The Houghton County Medical Care Facility (MCF) is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although it is distinct entity from the county, the MCF is reported as if it were part of the primary government because its sole purpose is to provide skilled nursing services to residents of the County of Houghton.

Discretely Presented Component Units

The component units columns in the combined financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Western Upper Peninsula District Health Department (WUPDHD) provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw Counties. The County of Houghton, and the other counties, provides an annual subsidy to the WUPDHD.

The Houghton County Road Commission is responsible for the maintenance and construction of roads in the County of Houghton. The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Complete financial statements of the individual component units can be obtained from the Controller's office at the Courthouse or at the respective administrative offices as noted below:

- Houghton County Family Independence Agency
County Welfare Building - 200 Quincy Street
Hancock, Michigan 49930
- Houghton County Medical Care Facility
100 Quincy Street
Hancock, Michigan 49930
- Western Upper Peninsula District Health Department
540 Depot Street
Hancock, Michigan 49930
- Houghton County Road Commission
P.O. Box 269
Hancock, Michigan 49930

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's legislative, judicial, public safety, recreation and culture and general services and administration are classified as governmental activities. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The following fund types are used by the County:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

General Fund - General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Component Units - Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

Component Units - Component units are used to account for the discretely presented component units which follow proprietary fund accounting guidelines.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The County reports the following major governmental funds:

- The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major proprietary funds:

- The **Medical Care Facility Operating Fund** accounts for the activities related to the operation of the County's Medical Care Facility.
- The **Airport Fund** accounts for the activities related to the operation of the County's Airport.

The County's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the County's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the general services and administration functional activity.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting - The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Controller submits to the County Board of Commissioners proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Houghton County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Houghton County Controller is authorized by means of County policy to make certain transfers:
 1. The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Commissioners in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the County?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Controller will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Budget Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's Office through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

f. The County of Houghton adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

g. Budgets for the General and Special Revenue Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the County Board of Commissioners.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue and Enterprise Funds consists of expendable supplies and materials held for consumption. Inventory is charged to operations upon consumption by the various operating funds within the County.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20 years
Building, structures and improvements	40 years
Equipment	5-20 years
Water and Sewage System	20 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local units of government within the County and periodically remitted to the County during the collection period. It is the County's policy, through its Internal Service 100% Tax Payment Fund, to purchase delinquent real property taxes and special assessments each year to afford 100% collection of the current levy.

Compensated Absences – The County accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

- (1) The Economic Development Revolving Loan Special Revenue Fund type has deferred revenue amounting to \$62,838. This amount represents Michigan Small Cities Block Grant Loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic development.
- (2) The 911 Enterprise Fund has deferred revenue amounting to \$59,769. This amount represents a grant from the State of Michigan for equipment purchases
- (3) The Western U.P. District Health Department Component Unit Fund has deferred revenue of \$207,065. This amount represents advance grant/contract payments from the State of Michigan.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the basic financial statements is presented below:

	Primary Government	Discrete Governmental Component Units	Fiduciary Funds	Total
Cash and Investments:				
Unrestricted	\$3,734,388	\$248,583	\$1,375,981	\$5,358,952
Restricted	<u>2,384,814</u>	<u>466,115</u>	<u>-</u>	<u>2,850,929</u>
TOTAL	<u>\$6,119,202</u>	<u>\$714,698</u>	<u>\$1,375,981</u>	<u>\$8,209,881</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

	Primary Government	Discrete Governmental Component Units	Fiduciary Funds	Total
Composition of Balances:				
Cash in banks	\$(1,621,314)	\$713,033	\$1,375,981	\$467,700
Certificates of Deposit	395,868	-	-	395,868
Imprest cash	38,881	1,665	-	40,546
Investments	7,305,767	-	-	7,305,767
TOTAL	<u>\$6,119,202</u>	<u>\$714,698</u>	<u>\$1,375,981</u>	<u>\$8,209,881</u>

Act 196, PA 1997, authorized the County to deposit and invest in:

- Bonds, securities, and other direct obligations of the United States or its agencies.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptance of United States banks.
- Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits

At year-end, the carrying amount of the County's deposits was \$467,699 and the bank balance was \$1,839,859. Of the bank balance, \$607,452 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

Reporting Entity:	Category			Market Value/ Carrying Amount
	1	2	3	
U.S. Government Obligations	<u>\$7,305,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,305,767</u>
Totals	<u>\$7,305,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,305,767</u>

The County's investments are in accordance with statutory authority.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$402,271	Solid Waste Transfer	\$151,791
		Nonmajor Internal Service	247,009
		Fiduciary	3,471
TOTAL	<u>\$ 402,271</u>	TOTAL	<u>\$ 402,271</u>

NOTE D – PROPRIETARY FIXED ASSETS:

Capital assets relating to the Medical Care Facility, Solid Waste Transfer, Airport, Airport Water/Sewer, 911, and Airport Testing Funds (Enterprise Funds) are recorded at cost and accounted for in these funds. Depreciation on such capital assets is charged as an expense against operations of these funds on a straight-line basis.

NOTE E – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at September 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2004</u>
GOVERNMENTAL ACTIVITIES:				
Construction in progress	\$ 583,295	\$ 339,746	\$ (55,986)	\$ 867,055
Land	<u>675,000</u>	<u>442,565</u>	-	<u>1,117,565</u>
Total Capital Assets, not being depreciated	<u>1,258,295</u>	<u>782,311</u>	<u>(55,986)</u>	<u>1,984,620</u>
Buildings and improvements	1,415,676	201,220	-	1,616,896
Vehicles	473,848	-	-	473,848
Furniture and equipment	<u>15,583</u>	<u>42,145</u>	-	<u>57,728</u>
Total Capital Assets, being depreciated	<u>1,905,107</u>	<u>243,365</u>	-	<u>2,148,472</u>
Less Accumulated Depreciation:				
Buildings and improvements	(587,717)	(46,009)	-	(633,726)
Vehicles	(335,530)	(44,711)	-	(380,241)
Furniture and equipment	(10,492)	(3,940)	-	(14,432)
Infrastructure	-	-	-	-
Total Accumulated Depreciation	<u>(933,739)</u>	<u>(94,660)</u>	-	<u>(1,028,399)</u>
Governmental Activities Capital Assets, Net	<u>\$2,229,663</u>	<u>\$931,016</u>	<u>\$(55,986)</u>	<u>\$ 3,104,693</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

Legislative	\$ 1,140
General and Administrative	50,046
Public Safety	37,187
Health and Welfare	<u>6,287</u>
Total	<u>\$94,660</u>

NOTE E – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at September 30, 2003	Additions	Disposals	Balance at September 30, 2004
BUSINESS-TYPE ACTIVITIES:				
Construction in progress	\$ 2,744,042	\$1,390,279	\$(3,610,498)	\$ 523,823
Land	42,854	-	-	42,854
Total Capital Assets, not being depreciated	<u>2,786,896</u>	<u>1,390,279</u>	<u>\$(3,610,498)</u>	<u>566,677</u>
Buildings and improvements	7,541,403	3,610,498	-	11,151,901
Vehicles	1,552,137	-	-	1,552,137
Furniture and equipment	3,638,939	26,268	-	3,665,207
Infrastructure	2,819,578	-	-	2,819,578
Total Capital Assets, being depreciated	<u>15,552,057</u>	<u>3,636,766</u>	<u>-</u>	<u>19,188,823</u>
Less Accumulated Depreciation:				
Buildings and improvements	(4,268,767)	(370,686)	-	(4,639,453)
Vehicles	(1,308,059)	(60,170)	-	(1,368,229)
Furniture and equipment	(2,045,957)	(254,199)	-	(2,300,156)
Infrastructure	(411,900)	(92,107)	-	(504,007)
Total Accumulated Depreciation	<u>(8,034,683)</u>	<u>(777,162)</u>	<u>-</u>	<u>(8,811,845)</u>
Business-Type Activities Capital Assets, Net	<u>\$10,304,270</u>	<u>\$4,249,883</u>	<u>\$(3,610,498)</u>	<u>\$10,943,655</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Medical Care Facility	\$497,697
Solid Waste	36,698
Airport	153,685
911 Fund	84,230
Marina	3,164
Airport Testing	1,688
Total Depreciation Expense – Business-Type Activities	<u>\$777,162</u>

A summary of component unit's capital assets is as follows:

	Western UP District Health	Road Commission	Total Component Units
COMPONENT UNITS:			
Land	\$ 90,000	\$ 78,148	\$ 168,148
Total Capital Assets, not being depreciated	<u>90,000</u>	<u>78,148</u>	<u>168,148</u>
Land improvements	17,595	-	17,595
Depletable assets	-	102,093	102,093
Buildings and improvements	1,443,780	1,349,998	2,793,778
Furniture and equipment	167,067	8,445,484	8,612,551
Infrastructure	-	4,810,527	4,810,527
Total Capital Assets, being depreciated	<u>1,628,442</u>	<u>14,708,102</u>	<u>16,336,544</u>
Less Accumulated Depreciation:			
Land improvements	(9,518)	-	(9,518)
Depletable assets	-	(37,785)	(37,785)
Buildings and improvements	(647,732)	(635,804)	(1,283,536)
Furniture and equipment	(119,622)	(6,460,560)	(6,580,182)
Infrastructure	-	-	-
Total Accumulated Depreciation	<u>(776,872)</u>	<u>(7,134,150)</u>	<u>(7,911,021)</u>
Component Units Capital Assets, net	<u>\$ 941,570</u>	<u>\$ 7,652,101</u>	<u>\$ 8,593,671</u>

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Western U.P. District Health	\$ 94,059
Road Commission	<u>830,332</u>
Total Depreciation Expense – Component Units	<u>\$924,391</u>

NOTE F – VESTED EMPLOYEE BENEFITS:

The County accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the County will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn annual vacation, sick, and combined leave at a rate of a certain number of days per year based on the number of years of service up to a maximum number of accumulated days. Annual vacation, sick, and combined leave days are based on various Labor Union Contract terms and administrative policies of the primary government.

	<u>Accrued Sick and Vacation</u>
Primary Government:	
Current portion	\$617,894
Long-term portion	<u>362,729</u>
Total	<u>\$980,623</u>
Component Units:	
Current portion	\$225,629
Long-term portion	<u>486,576</u>
Total	<u>\$712,205</u>

NOTE G – LONG-TERM DEBT:

The Torch Lake Sewage Disposal System Bond consists of a revenue bond incurred for sewage disposal facilities on behalf of townships located within the County of Houghton. The County serves as general obligor for payment of principal and interest on the bonds. Annual transfers equal to principal and interest payments on the debt are made to the County Public Works Department based upon contractual agreements by those local units deriving revenues and benefits from the facilities.

SCHEDULE OF TORCH LAKE SEWAGE DISPOSAL SYSTEM BONDS
September 30, 2004

	November 1	May 1		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$ 6,500	\$ 6,500	\$ 85,000	\$ 98,000
2005-2006	4,500	4,500	87,500	96,500
2006-2007	<u>2,125</u>	<u>2,125</u>	<u>87,500</u>	<u>91,750</u>
TOTALS	<u>\$13,125</u>	<u>\$13,125</u>	<u>\$260,000</u>	<u>\$286,250</u>

Sewage Disposal System General Obligation Bonds originally issued for \$1,765,000 and dated November 1, 1977, mature annually as scheduled above and bears interest at 5% per annum.

Bonds maturing in the years 1990 to 2007, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in inverse numerical order, on any interest payment to date on or after May 1, 1986, at par and accrued interest to the date fixed for redemption.

NOTE G – LONG-TERM DEBT (Continued):

SCHEDULE OF POLICE CAR INSTALLMENT PURCHASE AGREEMENT

September 30, 2004

	December 2		June 2		
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$591	\$ 6,486	\$400	\$6,678	\$14,155
2005-2006	202	6,875	-	-	7,077
TOTALS	<u>\$793</u>	<u>\$13,361</u>	<u>\$400</u>	<u>\$6,678</u>	<u>\$21,232</u>

The Ford Motor Credit Company has assigned the installment purchase agreement.

SCHEDULE OF COURTHOUSE IMPROVEMENT BOND

September 30, 2004

	December 1		June 1	
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$ 21,362	\$ 21,363	\$ 10,000	\$ 52,725
2005-2006	21,212	21,213	15,000	57,425
2006-2007	20,987	20,988	20,000	61,975
2007-2008	20,637	20,638	25,000	66,275
2008-2009	20,200	20,200	30,000	70,400
2009-2010	19,600	19,600	35,000	74,200
2010-2011	18,900	18,900	40,000	77,800
2011-2012	18,100	18,100	45,000	81,200
2012-2013	17,200	17,200	50,000	84,400
2013-2014	16,200	16,200	55,000	87,400
2014-2015	14,962	14,963	60,000	89,925
2016-2017	13,612	13,613	65,000	92,225
2017-2018	12,150	12,150	70,000	94,300
2018-2019	10,575	10,575	75,000	96,150
2019-2020	8,887	8,888	80,000	97,775
2020-2021	7,087	7,088	80,000	94,175
2021-2022	5,287	5,288	80,000	90,575
2022-2023	3,487	3,488	80,000	86,975
2023-2024	1,687	1,688	75,000	78,375
Totals	<u>\$272,132</u>	<u>\$272,143</u>	<u>\$990,000</u>	<u>\$1,534,275</u>

The Courthouse Improvement Bond consists of a general obligation bond through Superior National Bank and Trust. This bond was incurred for remodeling of the Courthouse Facility and new adjacent storage facilities. The bond will be paid for from the general fund.

SCHEDULE OF BROWNFIELD REDEVELOPMENT

September 30, 2004

October 3

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$ 8,508	\$ 38,372	\$ 46,880
2005-2006	7,644	39,236	46,880
2006-2007	6,762	40,118	46,880
2007-2008	5,859	41,021	46,880
2008-2009	4,936	41,944	46,880
2009-2010	3,992	42,888	46,880
2010-2011	3,027	43,853	46,880
2011-2012	2,041	44,839	46,880
2012-2013	1,031	45,849	46,880
TOTALS	<u>\$43,800</u>	<u>\$378,120</u>	<u>\$421,920</u>

NOTE G – LONG-TERM DEBT (Continued):

The City of Houghton borrowed on behalf of Houghton County \$425,000 with State of Michigan Department of Environmental Quality Environmental Response Division a Brownfield Redevelopment Authority Tax Incremental Revenue Loan for the redevelopment of the former Houghton High School lot. The payments will be paid from the general fund.

**SCHEDULE OF MICHIGAN ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT REPAYMENT**

September 30, 2004

	<u>Nov 1</u>	<u>Feb 1</u>	<u>May 1</u>	<u>Aug 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	
2004-2005	\$ -	\$ 1,074	\$ 1,074	\$ 1,074	\$ 3,222
2005-2006	1,073	1,074	1,074	1,074	4,295
2006-2007	1,073	1,074	1,074	1,074	4,295
2007-2008	1,073	1,074	1,074	1,074	4,295
2008-2009	1,073	1,074	1,074	1,074	4,295
2009-2010	1,073	1,074	1,074	1,074	4,295
2010-2011	1,073	1,074	1,074	1,074	4,295
2011-2012	1,073	1,074	1,074	1,074	4,295
2012-2013	1,073	1,074	1,074	1,074	4,295
2013-2014	1,073	1,074	1,074	1,074	4,295
2014-2015	1,073	1,074	1,074	1,074	4,295
2015-2016	1,073	1,074	1,074	1,074	4,295
2016-2017	1,073	1,074	1,074	1,074	4,295
2017-2018	1,073	1,074	1,074	1,074	4,295
2018-2019	1,069	1,074	-	-	2,143
TOTALS	<u>\$15,018</u>	<u>\$16,110</u>	<u>\$15,036</u>	<u>\$15,036</u>	<u>\$61,200</u>

The Michigan Economic Development Community Development Block Grant Repayment is for the County not meeting the long term requirements of job creation of the CDBG Airpark Improvement Grant. Therefore, the County is required to pay back part of this grant. This payment will be made from the Airpark Improvement Fund.

SCHEDULE OF JAIL VENTILATION LOAN

September 30, 2004

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$ 5,144	\$ 12,526	\$ 17,670
2005-2006	4,641	13,029	17,670
2006-2007	4,192	13,478	17,670
2007-2008	3,726	13,944	17,670
2008-2009	3,245	14,425	17,670
2009-2010	2,747	14,923	17,670
2010-2011	2,232	15,438	17,670
2011-2012	1,699	15,971	17,670
2012-2013	1,148	16,522	17,670
2013-2014	945	16,725	17,670
TOTALS	<u>\$29,719</u>	<u>\$146,981</u>	<u>\$176,700</u>

NOTE G – LONG-TERM DEBT (Continued):

The County borrowed \$146,981 from Superior National Bank to update the jail ventilation system. This payment will be made from the general fund.

SCHEDULE OF TRANSFER STATION TRUCK

September 30, 2004

	January 1	July 1		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$ 979	\$ 979	\$ 17,398	\$ 19,356
2005-2006	653	653	17,398	18,704
2006-2007	326	326	17,399	18,051
TOTALS	<u>\$1,958</u>	<u>\$1,958</u>	<u>\$52,195</u>	<u>\$56,111</u>

Transfer Station Truck Note originally issued for \$86,991 and dated June 3, 2003, mature annually as scheduled above and bears interest at 3.75% per annum. These payments will be made from the Transfer Station Fund.

SCHEDULE OF AIRCRAFT REFUELER

September 30, 2004

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004-2005	\$2,244	\$12,768	\$15,012
2005-2006	1,457	13,555	15,012
2006-2007	621	14,391	15,012
2007-2008	18	2,484	2,502
TOTALS	<u>\$4,340</u>	<u>\$43,198</u>	<u>\$47,538</u>

Aircraft Refueler Note originally issued for \$85,637 and dated November 29, 2000, mature Monthly with principal and interest as scheduled above and bears interest at 6% per annum. These payments will be made from the Airport Fund.

Changes in long-term debt principal during the year ended September 30, 2004 are summarized as follows:

	September 30, 2003	<u>Additions</u>	<u>Subtractions</u>	September 30, 2004
Governmental Activities:				
Installment Purchase Agreement for 2 police cars in the amount of \$39,536 at 2.95% interest. With 6 semi-annual payments of \$7,077, due in June and December.	\$ 32,459	\$ -	\$12,421	\$20,038
Courthouse Improvement Bond issued on June 1, 2004 for \$995,000. These bonds bear interest of 3% from June 1, 2004 to June 1, 2006; 3.5% from June 2, 2006 to June 1, 2008; 4% from June 2, 2008 to June 1, 2013 and 4.5% from June 2, 2013 to June 1, 2023. Payments are due semi-annually on June 1, (principal and interest) and December 1, (interest) of each year.	995,000	-	5,000	990,000
Sewage Disposal System General Obligation Bonds issued for \$1,765,000 dated November 1, 1977. These bonds bear interest of 5% per annum. Bonds maturing in the years 1990-2007 shall be subject to redemption prior to maturity, at the option of the County, in inverse numerical order, on any interest payment to the date on or after may 1, 1986, at par and accrued interest to the date fixed for redemption.	340,000	-	80,000	260,000
Brownfield Redevelopment Authority Tax Incremental Revenue Loan issued for \$425,000 dated October 2, 2003. These loans bear interest of 2.25% per annum. 10 Payments of \$46,880 are due annually on October 3, (principal and interest) of each year	-	425,000	46,880	378,120

NOTE G – LONG-TERM DEBT (Continued):

	September 30, 2003	Additions	Subtractions	September 30, 2004
Michigan Economic Development Community Development Block Grant Repayment issued for \$61,200 dated September 30, 2004. This repayment bears interest of 0% per annum. 57 payments of \$1,074 are due quarterly November 1, February 1, May 1, and August 1 (principal only) of each year	\$ -	\$ 61,200	\$ -	\$ 61,200
Note Payment for the jail ventilation projects in the amount of \$146,981 at 3.5% interest, due to Superior National Bank. With 10 annual payments of \$17,670, due on May 25 th of each year.	-	146,981	-	146,981
State of Michigan – State Revenue Sharing Payment - The State of Michigan advances the County \$139,687 in State Revenue Sharing that is due March 31, 2005 from the new State Revenue Sharing Fund, which is created on Dec 1, 2004.	-	139,687	-	139,687
Total Governmental Activities	<u>1,367,459</u>	<u>772,868</u>	<u>144,301</u>	<u>1,996,026</u>
Business-Type Activities:				
Solid Waste Transfer Fund Loan for 2004 Semi-Truck in the amount of \$86,991 with interest at 1.88% and semi-annual payments on January 1 for interest and July 1 for interest and principal \$17,398).	69,593	-	17,398	52,195
Airport fund loan for fuel farm in the amount of \$50,000 for 120 months at 5.0% interest.	5,202	-	5,202	-
Airport fund loan for refueler in the amount of \$85,637 for 84 months at 6% interest.	55,224	-	12,026	43,198
Airport Testing fund building loan in the amount of \$33,750 over 120 months at 5.01%.	3,511	-	3,511	-
Total Business-Type Activities	<u>133,530</u>	<u>-</u>	<u>38,137</u>	<u>95,393</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>1,500,989</u>	<u>772,868</u>	<u>182,438</u>	<u>2,091,419</u>
Discrete Component Units:				
Installment Purchase Agreements	624,507	-	132,084	492,423
TOTAL LONG-TERM DEBT	<u>\$2,125,496</u>	<u>\$772,868</u>	<u>\$314,522</u>	<u>\$2,583,842</u>

Annual maturities on the Long-Term Debt are as follows:

	Primary Government	Business-Type Activities	Discrete Component Unit
2004-2005	\$ 301,971	\$ 30,166	\$143,892
2005-2006	165,934	30,953	145,421
2006-2007	165,391	31,790	27,761
2007-2008	84,260	2,484	28,976
2008-2009	90,664	-	20,504
2009-2010	97,106	-	21,660
2010-2011	103,586	-	22,882
2011-2012	110,105	-	24,173
2012-2013	116,666	-	25,536
2013-2014	76,020	-	26,677
2014-2015	64,295	-	4,941
2015-2016	69,295	-	-
2016-2017	74,295	-	-

NOTE G – LONG-TERM DEBT (Continued):

	Primary Government	Business-Type Activities	Discrete Component Unit
2017-2018	\$ 79,295	\$ -	\$ -
2018-2019	82,143	-	-
2019-2020	80,000	-	-
2020-2021	80,000	-	-
2021-2022	80,000	-	-
2022-2023	75,000	-	-
TOTAL	<u>\$1,996,026</u>	<u>\$95,393</u>	<u>\$492,423</u>

NOTE H – RESERVED AND DESIGNATED FUND EQUITY:

The Debt Service Funds have reserved fund balances totaling \$51,329 which represents the balance available to pay down debt.

NOTE I – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2003 taxable valuation of the Local Governmental Unit totaled \$505,460,006, on which ad valorem taxes levied consisted of 6.1319 mills for the Local Governmental Unit operation purposes, 1.2830 mills for County Road Commission operating, and 2.6433 mills for Medical Care Facility Operations. These amounts are recognized in the respective General, Component Unit and Enterprise Fund financial statements as revenue.

NOTE J – INTERFUND TRANSFERS IN AND OUT:

	<u>Transfers In</u>		<u>Transfers Out</u>
General Fund	\$ 353,500	Nonmajor Internal Service Funds	\$ 275,000
		Nonmajor Special Revenue Funds	8,500
		Non-major Enterprise Funds	<u>70,000</u>
Subtotal	<u>353,500</u>	Subtotal	<u>353,500</u>
Airport	150,000	General	752,345
Nonmajor Special Revenue Funds	<u>602,345</u>		
Subtotal	<u>752,345</u>	Subtotal	<u>752,345</u>
Nonmajor Enterprise Funds	7,186	Nonmajor Enterprise Funds	7,186
Nonmajor Internal Service Funds	<u>27,970</u>	Non-major Internal Service Funds	<u>27,970</u>
TOTAL REPORTING ENTITY	<u>\$1,141,001</u>	TOTAL REPORTING ENTITY	<u>\$1,141,001</u>

NOTE K – DEFICIT CASH AND INVESTMENT BALANCES:

At September 30, 2004 the following funds had a material cash and investment deficit:

<u>Fund</u>	<u>Deficit Cash/ Investment Balance</u>
Governmental Activities:	
General Fund	\$670,509
Special Revenue:	
OEM Exercise Grant	4,000
Capital Projects:	
Arena Project	6,145
Business-Type Activities:	
Airport	985,012
Marina	19,428

NOTE L – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a County shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following funds/line items had material excess expenditures over appropriations at September 30, 2004:

<u>Fund/Line Item</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund:			
Mailing	\$29,700	\$29,702	\$2
Building Official	177,270	179,199	1,929
Special Appropriations	220,127	220,240	113
Debt Service	-	61,035	61,035
Transfers Out	696,145	752,345	56,200
Special Revenue Funds:			
Friend of the Court	8,383	8,391	8
Child Care	328,598	354,139	25,541
Prescription Drugs – (Transfer Out)	1,200	1,500	300
Veteran's Trust	2,500	3,044	544
ROD Automation	38,800	39,544	744
Economic Development Revolving Loan	34,500	34,891	391
Alert	500	760	260
MSHDA R.R.	340,646	352,008	11,362
Industrial Development	2,500	2,815	315
OEM Exercise Grant	4,000	8,000	4,000

NOTE M – OTHER POST EMPLOYMENT BENEFITS:

The County of Houghton offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the County. This benefit is accounted for on the "pay-as-you-go" method, whereby the County is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for retired employees for the period ended September 30, 2004 was \$12,000.

NOTE N – PENSION PLAN:

DEFINED BENEFIT PENSION PLAN – COUNTY

Plan Description - The County participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal

NOTE N – PENSION PLAN (Continued):

Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company at One Towne Square, Suite 800, Southfield, MI 48076.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit, and requires a contribution from the employees of 0 - 3.6% of gross wages.

Annual Pension Cost - For year ended September 30, 2004, the County's annual pension cost of \$536,604 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	Three Year Trend Information		
	Fiscal Year Ended December 31		
	2001	2002	2003
Annual Pension Cost	\$508,563	\$556,506	\$616,317
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	\$8,645,553	\$9,023,307	\$9,841,471
Actuarial Accrued Liability (Entry Age)	\$12,577,706	\$13,511,103	\$14,729,577
Unfunded AAL	\$3,932,153	\$4,487,796	\$4,888,106
Funded Ratio	69%	67%	67%
Covered Payroll	\$3,520,453	\$3,543,171	\$3,622,239
UAAL as a Percentage of Covered Payroll	112%	127%	135%

DEFINED BENEFIT PENSION PLAN – MEDICAL CARE FACILITY

The Facility has in effect a defined benefit non-contributory retirement plan with the Travelers Insurance Company covering substantially all full-time employees. The total retirement expense for the year ended September 30, 2004 and 2003 was \$707,149 and \$586,627, respectively, and includes amortization of past service costs which are being amortized over a ten year period. The Facility makes annual contributions to the plan as determined by consulting actuaries. The payroll for participating employees for the year ended September 30, 2004 was \$6,171,387, while total payroll expense was \$6,764,926.

Pension Disclosure Information

The Pension Benefit Obligation (PBO) is the actuarial present value of credit projected benefits determined in accordance with the projected unit credit cost method prorates by service. It is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. This measure is independent of the actuarial funding method used to determine contributions.

The last actuarial valuation date available to determine PBO is January 1, 2004. Actuarial assumptions used to compute the PBO are as follows:

- A. Actuarial Cost Methods - Retirement benefits, vesting, and pre-retirement survivor benefits calculated using the frozen initial liability cost method, with the initial employer liability equal to the January 1, 1974 unfunded employer past service liability based on the entry age normal method. If, in any year, the normal operation of this funding method would produce an unfunded frozen initial liability which is negative, it shall be deemed to be zero.

NOTE N – PENSION PLAN (Continued):

B. Valuation Assumptions:

1. Interest - 7.5%
2. Expenses and contingencies - 5.0%
3. Retirement age - The greater of normal retirement age specified in the plan or attained age.
4. Normal form of retirement annuity - single life annuity.
5. Mortality - 1983 Group Annuity Table (male and female tables).
6. Turnover - Allowance is made for turnover among eligible employees through the use of Travelers= Turnover Schedule C.
7. Projected salary increases - increases of 5.0% per year are assumed.
8. Pre-retirement survivor benefit - All participants are assumed to be married to an eligible spouse. Male spouses are assumed to be three years older than their female spouses.
9. Cost of Living - IRC Section 415 limits on salary and benefits are assumed to increase 3.0% per annum.

C. Asset Value:

Experience Rating Accumulation - The asset value equals the balance as of the valuation date in the fixed account which is available to provide benefit payments and expenses. Contributions received after the valuation date but within the allowable grace period that were intended for plan years ending prior to the valuation date are included in this asset value.

Annual Pension Cost and Net Pension Obligation as of January 1, 2004:

Annual Required Contribution, beginning January 1, 2003	\$758,330
Interest on net pension obligation as of January 1, 2003	-
Adjustment to annual required contribution beginning January 1, 2003	-
ANNUAL PENSION COST, BEGINNING JANUARY 1, 2003	758,330
Contributions made, beginning January 1, 2003	758,330
Increase (decrease) in net pension obligation as of January 1, 2004	-
Net pension obligation as of January 1, 2003	*
NET PENSION OBLIGATION AS OF JANUARY 1, 2004	\$ -

* Based on the assumption that "actuarially required contributions" were made each year starting with the year beginning January 1, 1987 and ending with the year beginning January 1, 1996.

Analysis of Funding Progress Three-year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)-Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2	\$10,916,196	\$10,445,677	\$470,519	95.69%	\$5,711,040	8.24%
1/1/3	11,923,086	11,293,462	629,624	94.72	6,171,387	10.20
1/1/4	12,669,590	12,269,131	400,459	96.84	6,598,757	6.07

Year Beginning January 1	Annual Pension Cost	Percentage Contributed	Net Pension Obligation At Year End
2001	\$ 575,070	100%	\$ -
2002	590,479	100%	-
2003	758,330	100%	-

NOTE N – PENSION PLAN (Continued):

DEFINED BENEFIT PENSION PLAN – WESTERN DISTRICT UPPER PENINSULA HEALTH DEPARTMENT

Plan Description - The Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Health Department. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Health Department's competitive bargaining units, and requires a contribution from the employees of 0% of gross wages.

Annual Pension Cost - For year ended December 31, 2004, the Health Department's annual pension cost of \$244,908 for the plan was equal to the Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year and (c) a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three Year Trend Information
Fiscal Year Ended December 31

	2001	2002	2003
Annual Pension Cost	\$245,189	\$234,061	\$218,160
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	\$5,403,274	\$5,587,356	\$6,014,110
Actuarial Accrued Liability (Entry Age)	\$5,688,857	\$6,092,779	\$6,930,189
Unfunded AAL	\$285,583	\$505,423	\$916,079
Funded Ratio	95%	92%	87%
Covered Payroll	\$2,914,852	\$2,975,938	\$3,370,346
UAAL as a Percentage of Covered Payroll	10%	17%	27%

DEFINED BENEFIT PENSION PLAN – HOUGHTON COUNTY ROAD COMMISSION

Plan Description – The Houghton County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all nonunion employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: Gabriel, Roeder, Smith & Company, One Town Square, Suite 800, Southfield, Michigan, 48076.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Houghton County Road Commission's competitive bargaining units and requires a contribution from the employees of 16.62% of gross wages for the County Road Commission.

Annual Pension Costs – For year ended 2004, Houghton County Road Commission's annual pension cost of \$66,972 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal funding method. Significant actuarial assumptions used include: (1) an 8% investment rate of return; (2) projected salary increases of 4.5% per year; and (3) 4.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a

NOTE N – PENSION PLAN (Continued):

level percent of payroll on a closed basis. The remaining amortization period is 30 years.

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual Pension Cost (APC)	\$76,045	\$58,656	\$66,972
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$2,296,396	\$2,317,530	\$2,439,095
Actuarial Accrued Liability (AAL)	\$2,577,932	\$2,702,082	\$2,873,598
Unfunded AAL (UAAL)	\$281,536	\$384,552	\$434,503
Funded Ratio	89%	86%	85%
Covered Payroll	\$376,912	\$402,940	\$395,083
UAAL as a Percentage of Covered Payroll	75%	95%	110%

NOTE O – CONTINGENT LIABILITIES:

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the county at September 30, 2004.

Risk Management - The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained commercial insurance to handle its risk of loss.

Cost Settlement - Medical care facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility's classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE P – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES:

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Houghton, Baraga, Keweenaw and Ontonagon created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Copper Country Community Mental Health Services Board. Under such provisions the Copper Country Community Mental Health Services Board became a separate legal entity from the respective counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective county. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. Summary financial information as of and for the fiscal year ended September 30, 2004 for the Board is as follows:

Assets	\$10,329,667
Liabilities	3,799,077
Fund Equity	6,530,590
Total Revenues	15,717,325
Total Expenditures	15,206,140
Net Increase (Decrease) in Fund Equity	511,185

The separately issued financial statements can be obtained from the administrative office of the Board at:

Copper Country Community Mental Health
901 West Memorial Drive
Houghton, MI 49931

NOTE Q – PRIOR PERIOD ADJUSTMENT:

The fund balance in the General Fund was restated due to two accounting errors which also resulted in the restatement of Governmental Activities net assets, (1) An increase in fund balance for \$86,908 for outstanding checks that should have been in prior years but were not, and (2) a decrease in fund balance for \$39,475 for reconciliation errors in the Trust and Agency accounts from prior year's activity. The total restatement amounted to a net addition of \$47,433 from the balance previously reported.

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund Balance/net Assets, beginning of year	\$767,114	\$3,620,415
Prior period adjustment	<u>47,433</u>	<u>47,433</u>
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>\$814,547</u>	<u>\$3,667,848</u>

NOTE R – SUBSEQUENT EVENTS:

The County has started construction of an addition to the Houghton County Arena for which the total project cost is estimated at \$860,000. The project is to be financed by a 30 year General Obligation Limited Tax Bond for \$540,000 and a \$320,000 contribution from Finlandia University.

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 2,874,807	\$ 2,874,904	\$ 97
Commercial forest taxes	50,000	47,749	(2,251)
Swamp taxes	58,904	59,038	134
Trailer taxes	1,000	183	(817)
Single business revenue sharing taxes	23,550	23,561	11
Federal payment in lieu of taxes	162,117	164,695	2,578
Total Taxes	3,170,378	3,170,130	(248)
Licenses and Permits:			
Marriage licenses	1,200	1,365	165
Dog licenses	3,100	3,216	116
Building permits	272,000	273,293	1,293
Pistol permits	1,750	3,400	1,650
Total Licenses and Permits	278,050	281,274	3,224
Federal Sources:			
Civil defense	27,000	23,184	(3,816)
Total Federal Sources	27,000	23,184	(3,816)
State Sources:			
Judges standardization	100,900	100,926	26
State income taxes	599,000	493,512	(105,488)
State liquor taxes	129,989	129,997	8
Case flow assistance	5,100	5,138	38
Snowmobile safety program	12,500	13,169	669
Probate judge salary	78,800	86,654	7,854
Marine safety	16,000	17,439	1,439
Friend of Court - Cooperative reimbursement	287,290	292,190	4,900
Friend of Court - Medical enforcement	-	24,157	24,157
Prosecutor - Cooperative reimbursement	33,785	34,971	1,186
Township liquor fees	-	1,925	1,925
Friend of Court incentive	44,598	47,726	3,128
Secondary road patrol	79,042	79,042	-
Victim's rights reimbursement	6,000	3,000	(3,000)
Juvenile justice program	27,316	27,317	1
Court reimbursement	162,000	160,002	(1,998)
Welfare fraud reimbursement	-	113	113
Cigarette tax	17,374	21,660	4,286
Remonumentation program	64,016	21,693	(42,323)
O R V grant	7,400	4,027	(3,373)
Community service work program	7,490	8,495	1,005
Total State Sources	1,678,600	1,573,153	(105,447)

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Charges for Services:			
Circuit Court costs	\$ 12,900	\$ 15,419	\$ 2,519
Circuit Court services	13,700	12,454	(1,246)
District Court costs	177,000	180,603	3,603
District Court supervision fees	17,000	16,737	(263)
District Court civil fees	46,700	48,633	1,933
Register of Deeds services	191,000	195,352	4,352
Real estate transfer tax	74,500	76,827	2,327
Friend of Court services	55,600	65,158	9,558
Probate Court services	20,000	18,864	(1,136)
Treasurer services	18,200	4,510	(13,690)
Clerk services	47,000	48,449	1,449
Sheriff services	56,440	64,248	7,808
Tax department services	51,000	66,422	15,422
Bond costs	4,200	4,499	299
Remonumentation fees	400	519	119
Attorney fees	5,000	4,637	(363)
Prisoner board	60,000	63,421	3,421
CC enhancement fees	1,460	1,573	113
Total Charges for Services	852,100	888,325	36,225
Interest	125,000	131,680	6,680
Other Revenues:			
Telephone calls	2,900	15,124	12,224
Penal fines	-	250	250
Ordinance fines and costs	8,400	10,667	2,267
Bond forfeitures	1,200	1,200	-
Rentals	86,700	87,833	1,133
Sale of assets	5,000	6,282	1,282
Refunds	3,900	4,348	448
Civil defense services	270	270	-
Circuit/District reimbursement	63,600	62,027	(1,573)
Reimbursements	3,000	6,450	3,450
Gain/Loss on investment	(36,500)	(39,392)	(2,892)
Miscellaneous other	16,480	23,540	7,060
Total Other Revenues	154,950	178,599	23,649
TOTAL REVENUES	6,286,078	6,246,345	(39,733)

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 50,600	\$ 48,042	\$ 2,558
Supplies	150	194	(44)
Other services and charges	62,000	63,098	(1,098)
TOTAL LEGISLATIVE	112,750	111,334	1,416
JUDICIAL:			
Circuit Court:			
Personnel services	143,316	143,026	290
Supplies	3,000	2,351	649
Other services and charges	112,877	109,244	3,633
Total Circuit Court	259,193	254,621	4,572
District Court:			
Personnel services	296,005	292,003	4,002
Supplies	8,175	8,358	(183)
Other services and charges	57,935	54,869	3,066
Total District Court	362,115	355,230	6,885
Friend of the Court:			
Personnel services	196,843	194,770	2,073
Supplies	8,850	2,336	6,514
Other services and charges	181,971	159,391	22,580
Total Friend of the Court	387,664	356,497	31,167
FOC/Medical Enforce:			
Personnel services	27,170	25,874	1,296
Supplies	443	443	-
Other services and charges	7,240	8,054	(814)
Total FOC/Medical Enforce	34,853	34,371	482
Probate Court:			
Personnel services	314,903	286,891	28,012
Supplies	5,900	5,864	36
Other services and charges	33,507	25,465	8,042
Total Probate Court	354,310	318,220	36,090
TOTAL JUDICIAL	1,398,135	1,318,939	79,196
ELECTIONS:			
Personnel services	2,500	600	1,900
Supplies	23,325	11,623	11,702
Other services and charges	300	268	32
TOTAL ELECTIONS	26,125	12,491	13,634

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
County Clerk:			
Personnel services	\$ 122,762	\$ 122,057	\$ 705
Supplies	4,200	2,715	1,485
Other services and charges	3,850	3,025	825
Total County Clerk	<u>130,812</u>	<u>127,797</u>	<u>3,015</u>
Equalization:			
Personnel services	136,903	127,850	9,053
Supplies	19,569	18,354	1,215
Other services and charges	4,500	1,014	3,486
Total Equalization	<u>160,972</u>	<u>147,218</u>	<u>13,754</u>
Register of Deeds:			
Personnel services	104,439	103,053	1,386
Supplies	7,000	6,400	600
Other services and charges	2,060	1,464	596
Total Register of Deeds	<u>113,499</u>	<u>110,917</u>	<u>2,582</u>
Monumentation/Remonumentation:			
Other services and charges	55,885	55,695	190
Total Monumentation/Remonumentation	<u>55,885</u>	<u>55,695</u>	<u>190</u>
Record Copying:			
Supplies	2,000	295	1,705
Other services and charges	20,500	17,094	3,406
Total Record Copying	<u>22,500</u>	<u>17,389</u>	<u>5,111</u>
Mailing			
Supplies	28,500	28,131	369
Other services and charges	1,200	1,571	(371)
Total Mailing	<u>29,700</u>	<u>29,702</u>	<u>(2)</u>
Courthouse and Grounds:			
Personnel services	66,978	65,521	1,457
Supplies	19,750	17,416	2,334
Other services and charges	74,850	73,108	1,742
Total Courthouse and Grounds	<u>161,578</u>	<u>156,045</u>	<u>5,533</u>
County Properties:			
Personnel services	33,498	31,609	1,889
Other services and charges	13,000	10,821	2,179
Total County Properties	<u>46,498</u>	<u>42,430</u>	<u>4,068</u>
Treasurer:			
Personnel services	137,816	136,823	993
Supplies	2,600	1,318	1,282
Other services and charges	4,250	2,166	2,084
Total Treasurer	<u>144,666</u>	<u>140,307</u>	<u>4,359</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Controller:			
Personnel services	\$ 191,754	\$ 191,722	\$ 32
Supplies	2,100	1,881	219
Other services and charges	10,763	8,903	1,860
Total Controller	<u>204,617</u>	<u>202,506</u>	<u>2,111</u>
Drain Commissioner:			
Personnel services	8,589	8,933	(344)
Supplies	300	13	287
Other services and charges	7,532	1,196	6,336
Total Drain Commissioner	<u>16,421</u>	<u>10,142</u>	<u>6,279</u>
Prosecuting Attorney:			
Personnel services	195,200	194,539	661
Supplies	4,736	4,935	(199)
Other services and charges	10,138	8,026	2,112
Total Prosecuting Attorney	<u>210,074</u>	<u>207,500</u>	<u>2,574</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>1,297,222</u>	<u>1,247,648</u>	<u>49,574</u>
PUBLIC SAFETY:			
Law Enforcement:			
Sheriff:			
Personnel services	534,481	533,714	767
Supplies	13,650	8,924	4,726
Other services and charges	68,500	70,905	(2,405)
Total Sheriff	<u>616,631</u>	<u>613,543</u>	<u>3,088</u>
Sheriff - Secondary Roads:			
Personnel services	85,865	81,230	4,635
Supplies	-	-	-
Other services and charges	6,300	4,276	2,024
Total Sheriff - Secondary Roads	<u>92,165</u>	<u>85,506</u>	<u>6,659</u>
Snowmobile Safety:			
Personnel services	11,266	11,266	-
Other services and charges	7,250	2,369	4,881
Total Snowmobile Safety	<u>18,516</u>	<u>13,635</u>	<u>4,881</u>
Total Law Enforcement	<u>727,312</u>	<u>712,684</u>	<u>14,628</u>
Corrections:			
Jail:			
Personnel services	329,489	326,693	2,796
Supplies	10,200	6,008	4,192
Other services and charges	108,700	100,938	7,762
Total Corrections	<u>448,389</u>	<u>433,639</u>	<u>14,750</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Protective:			
Marine Safety:			
Personnel services	\$ 15,000	\$ 12,453	\$ 2,547
Other services and charges	7,500	4,153	3,347
Total Marine Safety	<u>22,500</u>	<u>16,606</u>	<u>5,894</u>
Mine Inspector:			
Personnel services	5,600	3,245	2,355
Other services and charges	2,800	1,797	1,003
Total Mine Inspector	<u>8,400</u>	<u>5,042</u>	<u>3,358</u>
Building Official:			
Personnel services	145,470	146,318	(848)
Supplies	14,200	13,443	757
Other services and charges	17,600	19,438	(1,838)
Total Building Official	<u>177,270</u>	<u>179,199</u>	<u>(1,929)</u>
Civil Defense:			
Personnel services	33,081	33,082	(1)
Supplies	947	483	464
Other services and charges	25,000	22,813	2,187
Total Civil Defense	<u>59,028</u>	<u>56,378</u>	<u>2,650</u>
Animal Control:			
Personnel services	41,574	41,437	137
Supplies	550	172	378
Other services and charges	22,175	22,233	(58)
Total Animal Control	<u>64,299</u>	<u>63,842</u>	<u>457</u>
Total Protective	<u>331,497</u>	<u>321,067</u>	<u>10,430</u>
TOTAL PUBLIC SAFETY	<u>1,507,198</u>	<u>1,467,390</u>	<u>39,808</u>
PUBLIC WORKS:			
Personnel services	30,452	30,482	(30)
Supplies	-	13	(13)
Other services and charges	3,925	3,450	475
TOTAL PUBLIC WORKS	<u>34,377</u>	<u>33,945</u>	<u>432</u>
HEALTH AND WELFARE:			
Commission on Aging:			
Other services and charges	2,000	2,000	-
TOTAL HEALTH AND WELFARE	<u>2,000</u>	<u>2,000</u>	<u>-</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
RECREATION AND CULTURE:			
Cooperative Extension Services:			
Personnel services	\$ 30,242	\$ 30,302	\$ (60)
Supplies	1,220	1,287	(67)
Other services and charges	33,960	32,322	1,638
Total Cooperative Extension Services	<u>65,422</u>	<u>63,911</u>	<u>1,511</u>
Contributions to Others:			
Substance abuse	65,719	64,999	720
Western UP. Planning and Development	9,838	9,838	-
UNCAP	1,100	1,100	-
Recreation and Development Council	300	325	(25)
Veteran's Flags	500	500	-
C.C. Veteran's Association	2,000	2,000	-
Total Contributions to Others	<u>79,457</u>	<u>78,762</u>	<u>695</u>
TOTAL RECREATION AND CULTURE	<u>144,879</u>	<u>142,673</u>	<u>2,206</u>
OTHER:			
Fringe Benefits:			
Social security	248,000	229,907	18,093
Hospitalization	630,000	557,725	72,275
Life insurance	8,400	7,417	983
Workmen's compensation	22,600	18,358	4,242
Health services	430	448	(18)
Retirement	407,000	441,399	(34,399)
Total Fringe Benefits	<u>1,316,430</u>	<u>1,255,254</u>	<u>61,176</u>
Special Appropriations:			
Cigarette tax	15,289	15,289	-
Jury commission	5,843	5,843	-
Medical examiner	19,500	19,782	(282)
Veteran's burials	15,000	14,831	169
Copper Country Mental Health Authority	164,495	164,495	-
Total Special Appropriations	<u>220,127</u>	<u>220,240</u>	<u>(113)</u>
Insurance and bonds	104,830	97,361	7,469
Refunds	22,550	15,250	7,300
Miscellaneous	13,306	8,976	4,330
TOTAL OTHER	<u>1,677,243</u>	<u>1,597,081</u>	<u>80,162</u>
CAPITAL OUTLAY	<u>382,404</u>	<u>288,760</u>	<u>93,644</u>
DEBT SERVICE	<u>-</u>	<u>61,035</u>	<u>(61,035)</u>
TOTAL EXPENDITURES	<u>6,582,333</u>	<u>6,283,296</u>	<u>299,037</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(296,255)</u>	<u>(36,951)</u>	<u>259,304</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	\$ -	\$ 146,981	\$ 146,981
Transfers in:			
Marriage Counseling	3,000	3,000	-
Delinquent Tax Funds	275,000	276,500	1,500
Transfer Station	70,000	70,000	-
Friend of the Court	4,000	4,000	-
Total Operating Transfers In	352,000	353,500	1,500
Transfers (out):			
Law Library	(15,000)	(15,000)	-
Social Welfare	(76,000)	(76,000)	-
Child Care	(150,000)	(205,200)	(55,200)
Register of Deed's	(45,145)	(46,145)	(1,000)
Airport	(150,000)	(150,000)	-
Tri-County Work Camp	(260,000)	(260,000)	-
Total Operating Transfers (Out)	(696,145)	(752,345)	(56,200)
Transfers to Component Units:			
Western UP. District Health	(175,000)	(175,000)	-
Total Operating Transfers to Component Units	(175,000)	(175,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(519,145)	(426,864)	92,281
CHANGE IN FUND BALANCE	(815,400)	(463,815)	351,585
Fund balance, beginning of year	767,114	767,114	-
Prior period adjustment	-	47,433	47,433
Fund balance, beginning of year, as restated	767,114	814,547	47,433
FUND BALANCE, END OF YEAR	<u>\$ (48,286)</u>	<u>\$ 350,732</u>	<u>\$ 399,018</u>

County of Houghton, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

September 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and investments	\$ 700,310	\$ 30,739	\$ 229,640	\$ 960,689
Receivables	2,486	20,590	6,500	29,576
Due from State	32,140	-	-	32,140
Due from other funds	-	-	-	-
Loans receivable	62,838	-	-	62,838
TOTAL ASSETS	\$ 797,774	\$ 51,329	\$ 236,140	\$ 1,085,243
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Cash overdraft	\$ 4,000	\$ -	\$ 6,145	\$ 10,145
Accounts payable	31,884	-	72,041	103,925
Due to State	35,623	-	-	35,623
Due to other funds	-	-	-	-
Accrued payroll and related	2,952	-	-	2,952
Accrued sick and vacation	3,119	-	-	3,119
Deferred revenue	62,838	-	-	62,838
TOTAL LIABILITIES	140,416	-	78,186	218,602
FUND BALANCE:				
Reserved for:				
Debt Service	-	51,329	-	51,329
Unreserved, reported in:				
Special revenue funds	657,358	-	-	657,358
Capital projects funds	-	-	157,954	157,954
TOTAL FUND BALANCE	657,358	51,329	157,954	866,641
TOTAL LIABILITIES AND FUND BALANCE	\$ 797,774	\$ 51,329	\$ 236,140	\$ 1,085,243

County of Houghton, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Federal sources	\$ 655,744	\$ -	\$ -	\$ 655,744
State sources	298,552	-	-	298,552
Local units	90,055	97,456	-	187,511
Charges for services	17,481	-	-	17,481
Fines and forfeits	4,500	-	-	4,500
Interest	5,675	345	5,789	11,809
Other	102,467	-	74,088	176,555
TOTAL REVENUES	1,174,474	97,801	79,877	1,352,152
EXPENDITURES:				
Current operations:				
Judicial	25,927	-	-	25,927
General services and administration	70,194	-	336,062	406,256
Public safety	614,975	-	-	614,975
Health and welfare	551,536	-	-	551,536
Community and economic development	586,024	-	-	586,024
Recreation and culture	-	-	6,145	6,145
Debt service	-	97,000	-	97,000
TOTAL EXPENDITURES	1,848,656	97,000	342,207	2,287,863
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(674,182)	801	(262,330)	(935,711)
OTHER FINANCING SOURCES (USES):				
Transfer in	602,345	-	-	602,345
Transfer in (out)	(8,500)	-	-	(8,500)
TOTAL OTHER FINANCING SOURCES (USES)	593,845	-	-	593,845
CHANGE IN FUND BALANCE	(80,337)	801	(262,330)	(341,866)
Fund balance, beginning of year	737,695	50,528	420,284	1,208,507
FUND BALANCE, END OF YEAR	\$ 657,358	\$ 51,329	\$ 157,954	\$ 866,641

County of Houghton, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

September 30, 2004

	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund	Tri-County Work Camp Fund	Houghton County Arts Grant Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	Friend of the Court Fund	D T R F Admin Fund	Law Library Fund	Justice Training Fund	Prescription Drugs Fund	CDBG Housing Fund	Family Independence Agency Fund
ASSETS													
Cash and Investments	\$ 5,288	\$ 79,626	\$ 27,120	\$ 138	\$ 5,343	\$ 3,034	\$ 9,756	\$ 13,709	\$ 1,975	\$ 8,392	\$ 1,755	\$ 13,445	\$ 150,941
Receivables	-	560	220	-	-	-	210	-	-	-	-	-	-
Due from State	-	4,656	-	-	-	-	3,838	-	-	-	-	-	9,688
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 5,288	\$ 84,842	\$ 27,340	\$ 138	\$ 5,343	\$ 3,034	\$ 13,804	\$ 13,709	\$ 1,975	\$ 8,392	\$ 1,755	\$ 13,445	\$ 160,629

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Cash overdraft	\$ -
Accounts payable	-
Due to State	1,577
Due to other funds	3,735
Accrued payroll and related	-
Accrued sick and vacation	2,952
Deferred revenue	2,487
TOTAL LIABILITIES	9,174
FUND BALANCE:	
Unreserved	1,577
TOTAL FUND BALANCE	18,166
TOTAL LIABILITIES AND FUND BALANCE	19,740

FUND BALANCE:	
Unreserved	1,577
TOTAL FUND BALANCE	18,166
TOTAL LIABILITIES AND FUND BALANCE	19,740

County of Houghton, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

September 30, 2004

	Economic Development										Houghton County		S H S G P		OEM		Hazardous		Total
	Child Care Fund	Veteran's Trust Fund	ROD Automation Fund	Family Counseling Fund	Economic Development Loan Fund	ALERT. Fund	MSHDA R.R. Fund	Industrial Development Fund	WMD Grant Fund	SAP Grant Fund	County Fund	Path II Training Grant Fund	Exercise Grant Fund	Material Grant Fund					
ASSETS																			
Cash and investments	\$ 7,175	\$ 345	\$ 36,345	\$ 18,027	\$ 239,851	\$ 13,011	\$ 65,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,310
Receivables	226	-	1,210	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,486
Due from State	5,958	-	-	-	-	-	-	-	-	-	-	-	-	-	8,000	-	-	-	32,140
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	62,838	-	-	-	-	-	-	-	-	-	-	-	-	-	62,838
TOTAL ASSETS	\$ 13,359	\$ 345	\$ 37,555	\$ 18,087	\$ 302,689	\$ 13,011	\$ 65,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ 797,774
LIABILITIES AND FUND BALANCE																			
LIABILITIES:																			
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Accounts payable	12,369	-	825	-	1,809	-	1,700	-	-	-	-	-	-	4,000	-	-	-	-	31,884
Due to State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,623
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll and related	632	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,952
Accrued sick and vacation	-	-	-	-	62,838	-	-	-	-	-	-	-	-	-	-	-	-	-	3,119
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,838
TOTAL LIABILITIES	13,001	-	825	-	64,647	-	1,700	-	-	-	-	-	-	8,000	-	-	-	-	140,416
FUND BALANCE:																			
Unreserved	358	345	36,730	18,087	238,042	13,011	63,334	-	-	-	-	-	-	-	-	-	-	-	657,358
TOTAL FUND BALANCE	358	345	36,730	18,087	238,042	13,011	63,334	-	-	-	-	-	-	-	-	-	-	-	657,358
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,359	\$ 345	\$ 37,555	\$ 18,087	\$ 302,689	\$ 13,011	\$ 65,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ 797,774

County of Houghton, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2004

	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund	Tri-County Work Camp Fund	Houghton County Atm Grant Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	Friend of the Court Fund	O T & F Admin Fund	Law Library Fund	Justice Training Fund	Prescription Drugs Fund	CDBG Housing Fund	Family Independence Agency Fund	Child Care Fund	Veteran's Trust Fund
REVENUES:															
Federal sources	\$ -	\$ -	\$ 34,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,310	\$ -	\$ -	\$ -
State sources	-	135,057	-	-	-	-	4,705	-	-	4,202	-	-	136,986	15,000	2,802
Local sources	-	-	-	-	9,348	-	-	-	-	-	-	-	-	-	-
Charges for services	-	10,550	-	-	-	-	1,430	-	4,500	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	46	22	7,353	-	-	-	3,975	-	8,347	39,379	-
Other	-	2,248	21,904	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	147,855	56,500	-	9,394	22	13,488	-	4,500	4,202	3,975	196,310	146,333	54,379	2,802
EXPENDITURES:															
Current operations:															
Judicial	-	-	-	-	-	-	8,391	-	17,536	-	-	-	-	-	-
General services and administration	93	-	-	-	-	-	-	30,557	-	4,258	-	-	-	-	-
Public safety	-	137,758	302,885	-	7,977	-	-	-	-	-	3,423	196,310	190,064	354,139	3,044
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	93	137,758	302,885	-	7,977	-	8,391	30,557	17,536	4,258	3,423	196,310	190,064	354,139	3,044
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93)	10,097	(246,185)	-	1,417	22	5,097	(30,557)	(13,036)	(56)	552	-	(45,731)	(289,760)	(442)
OTHER FINANCING SOURCES (USES):															
Transfer in	-	-	260,000	-	-	-	-	-	15,000	-	-	-	76,000	205,200	-
Transfer (out)	-	-	-	-	-	-	(4,000)	-	-	-	(1,500)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	260,000	-	-	-	(4,000)	-	15,000	-	(1,500)	-	76,000	205,200	-
CHANGES IN FUND BALANCE	(93)	10,097	13,835	-	1,417	22	1,097	(30,557)	1,964	(56)	(948)	-	32,269	(84,560)	(442)
Fund balance, beginning of year	5,381	73,168	4,331	138	3,926	3,012	12,877	38,499	11	8,448	2,831	13,445	92,737	94,918	767
FUND BALANCE, END OF YEAR	5,288	83,265	18,166	138	5,343	3,034	13,774	7,942	1,975	8,392	1,883	13,445	125,006	358	345

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2004

	RCD Automation Fund	Family Counseling Fund	Economic Development Revolving Loan Fund	ALERT Fund	MSHA R.R. Fund	Industrial Development Fund	WMD Grant Fund	SAP Grant Fund	S.H.S.G.P. Path II Training Fund	OEM Exercise Grant Fund	Hazardous Material Grant Fund	Total
REVENUES:												
Federal sources	-	-	-	-	\$ 263,281	\$ -	\$ 80,777	\$ 12,750	\$ 1,070	\$ 8,000	\$ 58,960	\$ 655,744
State sources	-	-	-	-	-	-	-	-	-	-	-	285,552
Local sources	-	-	-	-	80,707	-	-	-	-	-	-	80,055
Charges for services	2,016	3,485	-	-	-	-	-	-	-	-	-	17,481
Fines and forfeits	766	-	-	-	(1,838)	119	-	-	-	-	-	4,500
Interest	-	-	8,500	-	-	-	-	-	-	-	-	5,875
Other	-	-	15,600	1,661	-	-	-	-	-	-	-	102,467
TOTAL REVENUES	2,782	3,485	23,160	1,661	342,150	119	80,777	12,750	1,070	8,000	58,960	1,174,474
EXPENDITURES:												
Current operations:												
Judicial	-	-	-	-	-	-	-	-	-	-	-	25,927
General services and administration	39,544	-	-	-	-	-	-	-	-	-	-	70,194
Public safety	-	-	-	760	-	-	80,777	12,750	1,070	8,000	58,960	614,875
Health and welfare	-	868	-	-	-	-	-	-	-	-	-	551,536
Community and economic development	-	-	34,881	-	352,008	2,815	-	-	-	-	-	586,024
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	39,544	868	34,881	760	352,008	2,815	80,777	12,750	1,070	8,000	58,960	1,848,856
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,762)	2,619	(11,721)	901	(9,858)	(2,696)	-	-	-	-	-	(874,121)
OTHER FINANCING SOURCES (USES):												
Transfer in	46,145	-	-	-	-	-	-	-	-	-	-	602,345
Transfer (out)	-	(3,000)	-	-	-	-	-	-	-	-	-	(8,500)
TOTAL OTHER FINANCING SOURCES (USES)	46,145	(3,000)	-	-	-	-	-	-	-	-	-	593,845
CHANGES IN FUND BALANCE	9,383	(381)	(11,721)	901	(9,858)	(2,696)	-	-	-	-	-	(80,337)
Fund balance, beginning of year	27,347	18,468	248,773	12,110	73,192	2,696	-	-	-	-	-	737,695
FUND BALANCE, END OF YEAR	\$ 36,720	\$ 18,087	\$ 238,042	\$ 13,011	\$ 63,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 657,358

County of Houghton, Michigan

PROSECUTOR'S FORFEITURE ACCOUNT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Other	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
General Services and Administration:			
Other services and charges	700	93	607
TOTAL EXPENDITURES	700	93	607
CHANGE IN FUND BALANCE	(700)	(93)	607
Fund balance, beginning of year	5,381	5,381	-
FUND BALANCE, END OF YEAR	<u>\$ 4,681</u>	<u>\$ 5,288</u>	<u>\$ 607</u>

County of Houghton, Michigan

TRI-COUNTY COMMUNITY CORRECTIONS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 123,081	\$ 135,057	\$ 11,976
Charges for services	11,000	10,550	(450)
Reimbursements and refunds	2,000	2,248	248
TOTAL REVENUES	<u>136,081</u>	<u>147,855</u>	<u>11,774</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>141,392</u>	<u>137,758</u>	<u>3,634</u>
TOTAL EXPENDITURES	<u>141,392</u>	<u>137,758</u>	<u>3,634</u>
CHANGE IN FUND BALANCE	<u>(5,311)</u>	<u>10,097</u>	<u>15,408</u>
Fund balance, beginning of year	<u>73,168</u>	<u>73,168</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 67,857</u>	<u>\$ 83,265</u>	<u>\$ 15,408</u>

County of Houghton, Michigan

TRI-COUNTY WORK CAMP FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ -	\$ 34,596	\$ 34,596
Reimbursements and refunds	60,600	21,904	(38,696)
TOTAL REVENUES	<u>60,600</u>	<u>56,500</u>	<u>(4,100)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	317,811	301,414	16,397
Capital Outlay	1,251	1,251	-
TOTAL EXPENDITURES	<u>319,062</u>	<u>302,665</u>	<u>16,397</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(258,462)</u>	<u>(246,165)</u>	<u>12,297</u>
OTHER FINANCING SOURCES			
Transfer in	260,000	260,000	-
TOTAL OTHER FINANCING SOURCES	<u>260,000</u>	<u>260,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>1,538</u>	<u>13,835</u>	<u>12,297</u>
Fund balance, beginning of year	4,331	4,331	-
FUND BALANCE, END OF YEAR	<u>\$ 5,869</u>	<u>\$ 18,166</u>	<u>\$ 12,297</u>

County of Houghton, Michigan

HOUGHTON COUNTY ARTS GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	\$ 2,000	\$ -	\$ (2,000)
TOTAL REVENUES	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
EXPENDITURES:			
Recreation and Culture:			
Other services and charges	<u>2,000</u>	<u>-</u>	<u>2,000</u>
TOTAL EXPENDITURES	<u>2,000</u>	<u>-</u>	<u>2,000</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>138</u>	<u>138</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 138</u></u>	<u><u>\$ 138</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

SPECIAL EQUIPMENT & REWARD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Private contributions	\$ 15,600	\$ 9,348	\$ (6,252)
Interest	25	46	21
TOTAL REVENUES	<u>15,625</u>	<u>9,394</u>	<u>(6,231)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>15,600</u>	<u>7,977</u>	<u>7,623</u>
TOTAL EXPENDITURES	<u>15,600</u>	<u>7,977</u>	<u>7,623</u>
CHANGE IN FUND BALANCE	25	1,417	1,392
Fund balance, beginning of year	<u>3,926</u>	<u>3,926</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 3,951</u>	<u>\$ 5,343</u>	<u>\$ 1,392</u>

County of Houghton, Michigan

DRUG ENFORCEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest	50	22	(28)
Sale of confiscated items	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>
TOTAL REVENUES	<u>550</u>	<u>22</u>	<u>(528)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL EXPENDITURES	<u>500</u>	<u>-</u>	<u>500</u>
CHANGE IN FUND BALANCE	50	22	(28)
Fund balance, beginning of year	<u>3,012</u>	<u>3,012</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,062</u></u>	<u><u>\$ 3,034</u></u>	<u><u>\$ (28)</u></u>

County of Houghton, Michigan

FRIEND OF THE COURT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 300	\$ 4,705	\$ 4,405
Charges for services	1,200	1,430	230
Reimbursements and refunds	2,000	7,353	5,353
TOTAL REVENUES	<u>3,500</u>	<u>13,488</u>	<u>9,988</u>
EXPENDITURES:			
Judicial:			
Other services and charges	8,383	8,391	(8)
TOTAL EXPENDITURES	<u>8,383</u>	<u>8,391</u>	<u>(8)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,883)</u>	<u>5,097</u>	<u>9,980</u>
OTHER FINANCING (USES):			
Transfers (out)	(4,000)	(4,000)	-
TOTAL OTHER FINANCING (USES)	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(8,883)</u>	<u>1,097</u>	<u>9,980</u>
Fund balance, beginning of year	12,677	12,677	-
FUND BALANCE, END OF YEAR	<u>\$ 3,794</u>	<u>\$ 13,774</u>	<u>\$ 9,980</u>

County of Houghton, Michigan

D T R F ADMIN FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	2004		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
General Services and Administration:			
Other services and charges	32,614	30,557	2,057
TOTAL EXPENDITURES	<u>32,614</u>	<u>30,557</u>	<u>2,057</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(32,614)</u>	<u>(30,557)</u>	<u>2,057</u>
OTHER FINANCING SOURCES			
Transfers in	8,000	-	(8,000)
TOTAL OTHER FINANCING SOURCES	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
CHANGE IN FUND BALANCE	<u>(24,614)</u>	<u>(30,557)</u>	<u>(5,943)</u>
Fund balance, beginning of year	38,499	38,499	-
FUND BALANCE, END OF YEAR	<u>\$ 13,885</u>	<u>\$ 7,942</u>	<u>\$ (5,943)</u>

County of Houghton, Michigan

LAW LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Penal fines	\$ 4,500	\$ 4,500	\$ -
TOTAL REVENUES	<u>4,500</u>	<u>4,500</u>	<u>-</u>
EXPENDITURES:			
Judicial			
Supplies	19,000	17,536	1,464
TOTAL EXPENDITURES	<u>19,000</u>	<u>17,536</u>	<u>1,464</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,500)</u>	<u>(13,036)</u>	<u>1,464</u>
OTHER FINANCING SOURCES			
Transfers in	15,000	15,000	-
TOTAL OTHER FINANCING SOURCES	<u>15,000</u>	<u>15,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	500	1,964	1,464
Fund balance, beginning of year	11	11	-
FUND BALANCE, END OF YEAR	<u>\$ 511</u>	<u>\$ 1,975</u>	<u>\$ 1,464</u>

County of Houghton, Michigan

JUSTICE TRAINING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 4,000	\$ 4,202	\$ 202
TOTAL REVENUES	<u>4,000</u>	<u>4,202</u>	<u>202</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>4,258</u>	<u>4,258</u>	<u>-</u>
TOTAL EXPENDITURES	<u>4,258</u>	<u>4,258</u>	<u>-</u>
CHANGE IN FUND BALANCE	(258)	(56)	202
Fund balance, beginning of year	<u>8,448</u>	<u>8,448</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,190</u>	<u>\$ 8,392</u>	<u>\$ 202</u>

County of Houghton, Michigan

PRESCRIPTION DRUGS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Reimbursements and refunds	<u>\$ 4,995</u>	<u>\$ 3,975</u>	<u>\$ (1,020)</u>
TOTAL REVENUES	<u>4,995</u>	<u>3,975</u>	<u>(1,020)</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>3,996</u>	<u>3,423</u>	<u>573</u>
TOTAL EXPENDITURES	<u>3,996</u>	<u>3,423</u>	<u>573</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>999</u>	<u>552</u>	<u>(447)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (out)	<u>(1,200)</u>	<u>(1,500)</u>	<u>(300)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,200)</u>	<u>(1,500)</u>	<u>(300)</u>
CHANGE IN FUND BALANCE	<u>(201)</u>	<u>(948)</u>	<u>(747)</u>
Fund balance, beginning of year	<u>2,631</u>	<u>2,631</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,430</u></u>	<u><u>\$ 1,683</u></u>	<u><u>\$ (747)</u></u>

County of Houghton, Michigan

CDBG HOUSING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 196,310	\$ 196,310	\$ -
TOTAL REVENUES	<u>196,310</u>	<u>196,310</u>	<u>-</u>
EXPENDITURES:			
Community and Economic Development:			
Other services and charges	<u>196,310</u>	<u>196,310</u>	<u>-</u>
TOTAL EXPENDITURES	<u>196,310</u>	<u>196,310</u>	<u>-</u>
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	<u>13,445</u>	<u>13,445</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,445</u>	<u>\$ 13,445</u>	<u>\$ -</u>

County of Houghton, Michigan

FAMILY INDEPENDENCE AGENCY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 264,054	\$ 136,986	\$ (127,068)
Other	-	9,347	9,347
TOTAL REVENUES	<u>264,054</u>	<u>146,333</u>	<u>(117,721)</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>340,054</u>	<u>190,064</u>	<u>149,990</u>
TOTAL EXPENDITURES	<u>340,054</u>	<u>190,064</u>	<u>149,990</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(76,000)</u>	<u>(43,731)</u>	<u>32,269</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>76,000</u>	<u>76,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>76,000</u>	<u>76,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>32,269</u>	<u>32,269</u>
Fund balance, beginning of year	<u>92,737</u>	<u>92,737</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 92,737</u></u>	<u><u>\$ 125,006</u></u>	<u><u>\$ 32,269</u></u>

County of Houghton, Michigan

CHILD CARE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	\$ 15,000	\$ 15,000	\$ -
Reimbursements and refunds	<u>39,500</u>	<u>39,379</u>	<u>(121)</u>
TOTAL REVENUES	<u>54,500</u>	<u>54,379</u>	<u>(121)</u>
EXPENDITURES:			
Health and Welfare:			
Personnel services	63,478	62,596	882
Court supervised - Family Foster Care	235,120	290,444	(55,324)
State Ward expenditures	<u>30,000</u>	<u>1,099</u>	<u>28,901</u>
TOTAL EXPENDITURES	<u>328,598</u>	<u>354,139</u>	<u>(25,541)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(274,098)</u>	<u>(299,760)</u>	<u>(25,662)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>150,000</u>	<u>205,200</u>	<u>55,200</u>
TOTAL OTHER FINANCING SOURCES	<u>150,000</u>	<u>205,200</u>	<u>55,200</u>
CHANGE IN FUND BALANCE	<u>(124,098)</u>	<u>(94,560)</u>	<u>29,538</u>
Fund balance, beginning of year	<u>94,918</u>	<u>94,918</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (29,180)</u></u>	<u><u>\$ 358</u></u>	<u><u>\$ 29,538</u></u>

County of Houghton, Michigan

VETERAN'S TRUST FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	<u>\$ 3,000</u>	<u>\$ 2,602</u>	<u>\$ (398)</u>
TOTAL REVENUES	<u>3,000</u>	<u>2,602</u>	<u>(398)</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>2,500</u>	<u>3,044</u>	<u>(544)</u>
TOTAL EXPENDITURES	<u>2,500</u>	<u>3,044</u>	<u>(544)</u>
CHANGE IN FUND BALANCE	<u>500</u>	<u>(442)</u>	<u>(942)</u>
Fund balance, beginning of year	<u>787</u>	<u>787</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,287</u></u>	<u><u>\$ 345</u></u>	<u><u>\$ (942)</u></u>

County of Houghton, Michigan

ROD AUTOMATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ -	\$ 2,016	\$ 2,016
Interest	-	766	766
TOTAL REVENUES	<u>-</u>	<u>2,782</u>	<u>2,782</u>
EXPENDITURES:			
General Services and Administration:			
Other services and charges	10,000	10,899	(899)
Capital outlay	28,800	28,645	155
TOTAL EXPENDITURES	<u>38,800</u>	<u>39,544</u>	<u>(744)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(38,800)</u>	<u>(36,762)</u>	<u>2,038</u>
OTHER FINANCING SOURCES			
Transfers in	47,000	46,145	(855)
TOTAL OTHER FINANCING SOURCES	<u>47,000</u>	<u>46,145</u>	<u>(855)</u>
CHANGE IN FUND BALANCE	<u>8,200</u>	<u>9,383</u>	<u>1,183</u>
Fund balance, beginning of year	27,347	27,347	-
FUND BALANCE, END OF YEAR	<u>\$ 35,547</u>	<u>\$ 36,730</u>	<u>\$ 1,183</u>

County of Houghton, Michigan

FAMILY COUNSELING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$ 3,200	\$ 3,485	\$ 285
TOTAL REVENUES	<u>3,200</u>	<u>3,485</u>	<u>285</u>
EXPENDITURES:			
Health and welfare:			
Other services and charges	2,000	866	1,134
TOTAL EXPENDITURES	<u>2,000</u>	<u>866</u>	<u>1,134</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,200</u>	<u>2,619</u>	<u>1,419</u>
OTHER FINANCING (USES):			
Transfer (out)	(3,000)	(3,000)	-
TOTAL OTHER FINANCING SOURCES	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(1,800)</u>	<u>(381)</u>	<u>1,419</u>
Fund balance, beginning of year	18,468	18,468	-
FUND BALANCE, END OF YEAR	<u>\$ 16,668</u>	<u>\$ 18,087</u>	<u>\$ 1,419</u>

County of Houghton, Michigan

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest on loan	\$ 18,000	\$ 4,746	\$ (13,254)
Interest earned	428	1,814	1,386
Loan principal	22,000	16,600	(5,400)
TOTAL REVENUES	<u>40,428</u>	<u>23,160</u>	<u>(17,268)</u>
EXPENDITURES:			
Community and Economic Development			
Other services and charges	34,500	34,891	(391)
TOTAL EXPENDITURES	<u>34,500</u>	<u>34,891</u>	<u>(391)</u>
CHANGE IN FUND BALANCE	5,928	(11,731)	(17,659)
Fund balance, beginning of year	249,773	249,773	-
FUND BALANCE, END OF YEAR	<u>\$ 255,701</u>	<u>\$ 238,042</u>	<u>\$ (17,659)</u>

County of Houghton, Michigan

ALERT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest	\$ -	\$ -	\$ -
Other revenue	<u>1,600</u>	<u>1,661</u>	<u>61</u>
TOTAL REVENUES	<u>1,600</u>	<u>1,661</u>	<u>61</u>
EXPENDITURES:			
Public Safety			
Other services and charges	<u>500</u>	<u>760</u>	<u>(260)</u>
TOTAL EXPENDITURES	<u>500</u>	<u>760</u>	<u>(260)</u>
CHANGE IN FUND BALANCE	1,100	901	(199)
Fund balance, beginning of year	<u>12,110</u>	<u>12,110</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 13,210</u></u>	<u><u>\$ 13,011</u></u>	<u><u>\$ (199)</u></u>

County of Houghton, Michigan

MSHDA R.R. FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 272,874	\$ 263,281	\$ (9,593)
Local sources	71,114	80,707	9,593
Interest	(2,048)	(1,838)	210
TOTAL REVENUES	<u>341,940</u>	<u>342,150</u>	<u>210</u>
EXPENDITURES:			
Community and Economic Development			
Other services and charges	<u>340,646</u>	<u>352,008</u>	<u>(11,362)</u>
TOTAL EXPENDITURES	<u>340,646</u>	<u>352,008</u>	<u>(11,362)</u>
CHANGE IN FUND BALANCE	1,294	(9,858)	(11,152)
Fund balance, beginning of year	<u>73,192</u>	<u>73,192</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 74,486</u>	<u>\$ 63,334</u>	<u>\$ (11,152)</u>

County of Houghton, Michigan

INDUSTRIAL DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ 25	\$ 119	\$ 94
TOTAL REVENUES	<u>25</u>	<u>119</u>	<u>94</u>
EXPENDITURES:			
Community Economic Development: Other services and charges	<u>2,500</u>	<u>2,815</u>	<u>(315)</u>
TOTAL EXPENDITURES	<u>2,500</u>	<u>2,815</u>	<u>(315)</u>
CHANGE IN FUND BALANCE	(2,475)	(2,696)	(221)
Fund balance, beginning of year	<u>2,696</u>	<u>2,696</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ (221)</u>

County of Houghton, Michigan

WMD GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 80,777	\$ 80,777	\$ -
TOTAL REVENUES	<u>80,777</u>	<u>80,777</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>80,777</u>	<u>80,777</u>	<u>-</u>
TOTAL EXPENDITURES	<u>80,777</u>	<u>80,777</u>	<u>-</u>
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

SAP GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 12,750</u>	<u>\$ 12,750</u>	<u>\$ -</u>
TOTAL REVENUES	<u>12,750</u>	<u>12,750</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>12,750</u>	<u>12,750</u>	<u>-</u>
TOTAL EXPENDITURES	<u>12,750</u>	<u>12,750</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

S H S G P PATH II TRAINING GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 1,070</u>	<u>\$ 1,070</u>	<u>\$ -</u>
TOTAL REVENUES	<u>1,070</u>	<u>1,070</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>1,070</u>	<u>1,070</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,070</u>	<u>1,070</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

OEM EXERCISE GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 4,000</u>	<u>\$ 8,000</u>	<u>\$ 4,000</u>
TOTAL REVENUES	<u>4,000</u>	<u>8,000</u>	<u>4,000</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>4,000</u>	<u>8,000</u>	<u>(4,000)</u>
TOTAL EXPENDITURES	<u>4,000</u>	<u>8,000</u>	<u>(4,000)</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

HAZARDOUS MATERIAL GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 58,960</u>	<u>\$ 58,960</u>	<u>\$ -</u>
TOTAL REVENUES	<u>58,960</u>	<u>58,960</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>58,960</u>	<u>58,960</u>	<u>-</u>
TOTAL EXPENDITURES	<u>58,960</u>	<u>58,960</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

SEWAGE DISPOSAL #1 BOND DEBT RETIREMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Local units	\$ 25,000	\$ 22,907	\$ (2,093)
Torch Lake Sewage Authority	72,000	74,549	2,549
Interest	500	345	(155)
TOTAL REVENUES	<u>97,500</u>	<u>97,801</u>	<u>301</u>
EXPENDITURES:			
Debt Service:			
Principal retirement	80,000	80,000	-
Interest and fiscal charges	17,000	17,000	-
TOTAL EXPENDITURES	<u>97,000</u>	<u>97,000</u>	<u>-</u>
CHANGES IN FUND BALANCE	500	801	301
Fund balance, beginning of year	<u>50,528</u>	<u>50,528</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 51,028</u></u>	<u><u>\$ 51,329</u></u>	<u><u>\$ 301</u></u>

County of Houghton, Michigan
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

September 30, 2004

	Courthouse Projects Fund	Airport Improvement Fund	Building Authority Construction Fund	Arena Project Fund	Total
ASSETS					
Cash and investments	\$ 103,314	\$ 124,859	\$ 1,467	\$ -	\$ 229,640
Accounts receivable	-	-	-	6,500	6,500
TOTAL ASSETS	<u>\$ 103,314</u>	<u>\$ 124,859</u>	<u>\$ 1,467</u>	<u>\$ 6,500</u>	<u>\$ 236,140</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Cash overdraft	\$ -	\$ -	\$ -	\$ 6,145	\$ 6,145
Accounts payable	71,931	110	-	-	72,041
TOTAL LIABILITIES	<u>71,931</u>	<u>110</u>	<u>-</u>	<u>6,145</u>	<u>78,186</u>
FUND BALANCE:					
Unreserved	<u>31,383</u>	<u>124,749</u>	<u>1,467</u>	<u>355</u>	<u>157,954</u>
TOTAL FUND BALANCE	<u>31,383</u>	<u>124,749</u>	<u>1,467</u>	<u>355</u>	<u>157,954</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 103,314</u>	<u>\$ 124,859</u>	<u>\$ 1,467</u>	<u>\$ 6,500</u>	<u>\$ 236,140</u>

County of Houghton, Michigan

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2004

	Courthouse Projects Fund	Airport Improvement Fund	Building Authority Construction Fund	Arena Project Fund	Total
REVENUES:					
Interest	\$ 5,789	\$ -	\$ -	\$ -	\$ 5,789
Other	-	67,588	-	6,500	74,088
TOTAL REVENUES	5,789	67,588	-	6,500	79,877
EXPENDITURES:					
Debt service	-	-	-	-	-
Capital outlay	333,601	2,461	-	6,145	342,207
TOTAL EXPENDITURES	333,601	2,461	-	6,145	342,207
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(327,812)	65,127	-	355	(262,330)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-
CHANGES IN FUND BALANCE	(327,812)	65,127	-	355	(262,330)
Fund balance, beginning of year	359,195	59,622	1,467	-	420,284
FUND BALANCE, END OF YEAR	\$ 31,383	\$ 124,749	\$ 1,467	\$ 355	\$ 157,954

County of Houghton, Michigan
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2004

	911 Fund	Solid Waste Transfer	Airport Water/Sewer Fund	Airport Testing Fund	Marina Fund	Total
ASSETS						
Current Assets:						
Cash and investments	\$ 293,222	\$ 46,111	\$ 886	\$ -	\$ -	\$ 340,219
Accounts receivable (net)	107,187	41,928	1,986	-	-	151,101
Inventory	-	-	-	-	9,353	9,353
Prepaid and other assets	6,227	5,649	-	-	2,198	14,074
TOTAL CURRENT ASSETS	406,636	93,688	2,872	-	11,551	514,747
Non-Current Assets:						
Land	14,027	15,000	-	-	-	29,027
Capital assets	824,934	822,507	-	33,750	94,097	1,775,288
Accumulated depreciation	(313,337)	(458,191)	-	(16,456)	(30,820)	(818,804)
TOTAL NON-CURRENT ASSETS	525,624	379,316	-	17,294	63,277	985,511
TOTAL ASSETS	932,260	473,004	2,872	17,294	74,828	1,500,258
LIABILITIES						
Current Liabilities:						
Cash fund overdraft	-	-	-	-	19,428	19,428
Accounts payable	7,837	34,049	2,792	-	11,336	56,014
Due to other funds	-	151,791	-	-	-	151,791
Accrued payroll and related liabilities	3,542	1,571	-	-	158	5,271
Accrued sick and vacation	6,006	15,958	-	-	-	21,964
Deferred revenue	59,769	-	-	-	-	59,769
Current portion of notes payable	-	17,398	-	-	-	17,398
TOTAL CURRENT LIABILITIES	77,154	220,767	2,792	-	30,922	331,635
Non-current Liabilities:						
Notes payable	-	34,797	-	-	-	34,797
TOTAL NON-CURRENT LIABILITIES	-	34,797	-	-	-	34,797
TOTAL LIABILITIES	77,154	255,564	2,792	-	30,922	366,432
NET ASSETS						
Invested in capital assets net of related debt	525,624	344,519	-	17,294	63,277	950,714
Unrestricted	329,482	(127,079)	80	-	(19,371)	183,112
TOTAL NET ASSETS	\$ 855,106	\$ 217,440	\$ 80	\$ 17,294	\$ 43,906	\$ 1,133,826

County of Houghton, Michigan

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended September 30, 2004

	911 Fund	Solid Waste Transfer	Airport Water/Sewer Fund	Airport Testing Fund	Marina Fund	Total
OPERATING REVENUES:						
Charges for services (net)	\$ 591,802	\$ 607,697	\$ 30,531	\$ -	\$ 198,515	\$ 1,428,345
Other	30,379	-	6,122	-	100	36,601
TOTAL OPERATING REVENUES	621,981	607,697	36,653	-	198,615	1,464,946
OPERATING EXPENSES:						
Operating expenses	533,440	501,679	40,186	75	206,288	1,281,668
Depreciation	84,230	36,698	-	1,888	3,164	125,780
TOTAL OPERATING EXPENSES	617,670	538,377	40,186	1,763	209,452	1,407,448
OPERATING INCOME (LOSS)	4,311	69,320	(3,533)	(1,763)	(10,837)	57,498
NON-OPERATING REVENUES (EXPENSES):						
Investment income	5,155	-	-	-	-	5,155
TOTAL NON-OPERATING REVENUES (EXPENSES)	5,155	-	-	-	-	5,155
INCOME (LOSS) BEFORE TRANSFERS	9,466	69,320	(3,533)	(1,763)	(10,837)	62,653
Transfers in	-	-	3,600	3,586	-	7,186
Transfers (out)	-	(70,000)	-	-	-	(70,000)
CHANGE IN NET ASSETS	9,466	(680)	67	1,823	(10,837)	(161)
Net assets Beginning of year	845,640	218,120	13	15,471	54,743	1,133,987
NET ASSETS, END OF YEAR	\$ 855,106	\$ 217,440	\$ 80	\$ 17,294	\$ 43,906	\$ 1,133,826

County of Houghton, Michigan

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2004

	911 Fund	Solid Waste Transfer	Airport Water/Sewer Fund	Airport Testing Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from fees and charges for services	\$ 553,265	\$ 602,598	\$ 30,489	\$ -	\$ 198,515	\$ 1,384,867
Other operating revenues	90,148	-	6,122	-	100	96,370
Cash payments to employees for services	(298,199)	(105,575)	-	-	(42,759)	(446,533)
Cash payments for payroll taxes	(22,742)	(8,063)	-	-	(3,135)	(33,940)
Cash payments to suppliers for goods and services	(215,463)	(386,588)	(41,175)	(75)	(155,453)	(798,754)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	107,009	102,372	(4,564)	(75)	(2,732)	202,010
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Increase (decrease) in due to other funds	-	-	-	-	-	-
Transfers in (out)	-	(70,000)	3,600	3,586	-	(62,814)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	(70,000)	3,600	3,586	-	(62,814)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash payments for capital assets	(20,650)	-	-	-	-	(20,650)
Principal payments on notes	-	(17,398)	-	(3,511)	-	(20,909)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(20,650)	(17,398)	-	(3,511)	-	(41,559)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	5,155	-	-	-	-	5,155
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,155	-	-	-	-	5,155
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,514	14,974	(964)	-	(2,732)	102,792
Cash and cash equivalents, beginning of year	201,708	31,137	1,850	-	(16,696)	217,999
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 293,222	\$ 46,111	\$ 886	\$ -	\$ (19,428)	\$ 320,791
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 4,311	\$ 69,320	\$ (3,533)	\$ (1,763)	\$ (10,837)	\$ 57,498
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	84,230	36,698	-	1,688	3,164	125,780
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(38,337)	(5,099)	(42)	-	-	(43,478)
(Increase) decrease in inventory	-	-	-	-	(3,545)	(3,545)
(Increase) decrease in prepaid expenses	1,608	(269)	-	-	(105)	1,234
Increase (decrease) in accounts payable	(5,836)	2,298	(989)	-	8,667	4,140
Increase (decrease) in accrued payroll and related liabilities	(4,341)	(2,173)	-	-	(76)	(6,590)
Increase (decrease) in accrued sick and vacation	5,605	1,597	-	-	-	7,202
Increase (decrease) in deferred revenue	59,769	-	-	-	-	59,769
NET ADJUSTMENTS	102,698	33,052	(1,031)	1,688	8,105	144,512
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 107,009	\$ 102,372	\$ (4,564)	\$ (75)	\$ (2,732)	\$ 202,010

County of Houghton, Michigan

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

ASSETS	1996 Delinquent Tax Revolving Fund	1997 Delinquent Tax Revolving Fund	1998 Delinquent Tax Revolving Fund	1999 Delinquent Tax Revolving Fund	2000 Delinquent Tax Revolving Fund	2001 Delinquent Tax Revolving Fund	2002 Delinquent Tax Revolving Fund	2003 Delinquent Tax Revolving Fund	2004 Delinquent Tax Revolving Fund	Total
Current Assets:										
Cash and investments	\$ -	\$ -	\$ 215,963	\$ 179,484	\$ 240,076	\$ 198,399	\$ 47,131	\$ 58,087	\$ 3,197	\$ 942,337
Accrued interest receivable	-	-	-	-	-	7,298	27,281	42,323	-	76,902
Delinquent tax receivable	-	-	-	135,614	-	24,582	143,585	604,608	(3,046)	905,343
Due from others	40,488	-	-	-	-	-	-	-	-	40,488
Due from other funds	-	-	65,015	-	25,424	-	-	-	-	90,439
TOTAL CURRENT ASSETS	40,488	-	280,978	315,098	265,500	230,279	217,997	705,018	151	2,055,509
TOTAL ASSETS	40,488	-	280,978	315,098	265,500	230,279	217,997	705,018	151	2,055,509
LIABILITIES										
Current Liabilities:										
Due to other units	-	-	-	-	1,456	935	4,239	538,497	-	545,127
Due to other funds	-	-	247,009	40,336	-	-	-	50,103	-	337,448
TOTAL CURRENT LIABILITIES	-	-	247,009	40,336	1,456	935	4,239	588,600	-	882,575
TOTAL LIABILITIES	-	-	247,009	40,336	1,456	935	4,239	588,600	-	882,575
NET ASSETS	40,488	-	33,969	274,762	264,044	229,344	213,758	116,418	151	1,172,934
Unrestricted	\$ 40,488	\$ -	\$ 33,969	\$ 274,762	\$ 264,044	\$ 229,344	\$ 213,758	\$ 116,418	\$ 151	\$ 1,172,934

County of Houghton, Michigan
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended September 30, 2004

	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	
OPERATING REVENUES:										
Penalties and interest on taxes	\$ -	\$ -	\$ 2,231	\$ -	\$ 212	\$ 16,674	\$ 49,255	\$ 77,240	\$ 26	\$ 145,638
Interest earned	(5)	(22)	9,031	565	7,127	416	3,341	2,478	1	22,932
Collection fees on taxes	-	-	1,465	-	19	3,977	21,872	37,973	124	65,430
Other revenues	-	-	10	-	15	1,762	14,094	-	-	15,881
TOTAL OPERATING REVENUES	(5)	(22)	12,737	565	7,373	22,829	88,562	117,691	151	249,881
OPERATING EXPENSES:										
Other operating expenses	-	-	2,383	55,180	1,272	782	3,070	1,529	-	64,216
TOTAL OPERATING EXPENSES	-	-	2,383	55,180	1,272	782	3,070	1,529	-	64,216
OPERATING INCOME (LOSS)	(5)	(22)	10,354	(54,615)	6,101	22,047	85,492	116,162	151	185,665
Transfers in	-	-	-	-	-	-	27,970	-	-	27,970
Transfers (out)	-	(27,970)	(247,009)	-	-	-	(27,991)	-	-	(302,970)
CHANGE IN NET ASSETS	(5)	(27,992)	(236,655)	(54,615)	6,101	22,047	85,471	116,162	151	(89,335)
Net assets, beginning of year	40,493	27,992	270,624	329,377	257,943	207,297	128,287	256	-	1,262,269
NET ASSETS, END OF YEAR	\$ 40,488	\$ -	\$ 33,969	\$ 274,762	\$ 264,044	\$ 229,344	\$ 213,758	\$ 116,418	\$ 151	\$ 1,172,934

County of Houghton, Michigan
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2004

	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:										
Cash received from fees and charges for services	\$ -	\$ -	\$ 41,337	\$ 44,964	\$ 6,524	\$ 40,256	\$ 93,521	\$ 72,890	\$ 150	\$ 289,642
Other operating revenues	(5)	(22)	9,041	565	7,142	2,178	17,435	2,478	1	38,813
Other operating expenses	-	-	(2,383)	(55,180)	(1,272)	(782)	(3,070)	(1,529)	-	(64,216)
Cash received from (paid for) delinquent taxes	-	-	68,400	(31,050)	20,588	111,836	(125,579)	(67,132)	3,046	(19,981)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(5)	(22)	116,395	(40,701)	32,982	153,488	(17,693)	6,707	3,197	254,348
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
Increase (decrease) in due to/from other funds	-	27,970	(229,260)	64,574	(25,424)	(9,279)	(52,208)	50,103	-	(173,524)
Transfers in (out)	-	(27,970)	(247,009)	-	-	-	(21)	-	-	(275,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	-	(476,289)	64,574	(25,424)	(9,279)	(52,229)	50,103	-	(448,524)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5)	(22)	(359,874)	23,873	7,558	144,209	(69,922)	56,810	3,197	(194,176)
Cash and cash equivalents, beginning of year	5	22	575,837	155,611	232,518	54,190	117,053	1,277	-	1,136,513
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ 215,963	\$ 179,484	\$ 240,076	\$ 198,399	\$ 47,131	\$ 58,087	\$ 3,197	\$ 942,337
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:										
Operating income (loss)	\$ (5)	\$ (22)	\$ 10,354	\$ (54,615)	\$ 8,101	\$ 22,047	\$ 85,492	\$ 116,162	\$ 151	\$ 185,665
Adjustments to reconcile operating income to net cash provided by operating activities:										
Change in assets and liabilities:										
(Increase) decrease in accrued interest receivable	-	-	37,641	44,964	6,293	19,605	22,394	(42,323)	-	88,574
(Increase) decrease in delinquent taxes receivable	-	-	68,193	(31,050)	20,300	117,011	566,064	(605,629)	3,046	137,935
(Increase) decrease in due from others	-	-	207	-	-	-	-	-	-	207
Increase (decrease) in due to others	-	-	-	-	288	(5,175)	(691,643)	538,497	-	(158,039)
NET ADJUSTMENTS	-	-	106,041	13,914	26,881	131,441	(103,185)	(109,455)	3,046	68,683
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (5)	\$ (22)	\$ 116,395	\$ (40,701)	\$ 32,982	\$ 153,488	\$ (17,693)	\$ 6,707	\$ 3,197	\$ 254,348

County of Houghton, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	Trust & Agency Fund	Library Fund	Payroll Fund	Total
ASSETS				
Cash and investments	\$ 1,294,590	\$ 77,920	\$ 3,471	\$ 1,375,981
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 1,294,590</u>	<u>\$ 77,920</u>	<u>\$ 3,471</u>	<u>\$ 1,375,981</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 3,471	\$ 3,471
Due to others	1,294,590	77,920	-	1,372,510
TOTAL LIABILITIES	<u>\$ 1,294,590</u>	<u>\$ 77,920</u>	<u>\$ 3,471</u>	<u>\$ 1,375,981</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, MI 49931

We have audited the financial statements of the County of Houghton, Michigan as of and for the year ended September 30, 2004, and have issued our report thereon dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that in our judgment, could adversely affect the County of Houghton, Michigan's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in a separate letter to management of the County of Houghton, Michigan dated February 18, 2005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management of the County of Houghton, Michigan dated February 18, 2005.

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan

This report is intended solely for the information and use of management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 18, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

County of Houghton, Michigan
Report to Management Letter
For the Year Ended September 30, 2004

To the Honorable Chairman and Members of
The Board of Commissioners
County of Houghton, Michigan
Houghton, MI 49931

In planning and performing our audit of the financial statements of the County of Houghton for the year ended September 30, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable Conditions

Delinquent Tax Chargebacks

The 1996 DTRF Fund contains delinquent taxes from a few local units that were not included as part of the 1993 chargeback because of differences in the reconciliation with the local unit. We suggest these taxes either be resolved and charged back in the current tax sale process or written off in the accounting records. Such activity is closely approaching the statute of limitations.

Instances of Non-compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.

To the Honorable Chairman and Members of
The Board of Commissioners

6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

The County was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in Footnote N of the financial statements.

* * * * *

The above reportable conditions in the internal control structure and instances of non-compliance are noted for your consideration. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

Other Comments and Recommendations

Cash Deficits in Certain Funds

At September 30, 2004 the following funds had a cash and investment deficit:

Fund	Deficit Cash/ Investment Balance
Governmental Activities:	
General Fund	\$670,509
Special Revenue	
OEM Exercise Grant	4,000
Capital Projects	
Arena Project	6,145
Business-Type Activities:	
Airport	985,012
Marina	19,428

Although these funds had cash deficits the overall cash position of the County is positive at slightly over \$8 million for the total government. These deficits due however represent use of resources of other funds and in essence are inter-fund working capital loans or advances. We remind the Board these are normally short term in nature. We suggest the Board evaluate the remedy to replenish these funds and restore them to a more natural position.

This report is intended solely for the information and use of the County's management, and others within the County Administration.

We appreciate and would like to thank the County's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 18, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

February 18, 2005

Board of County Commissioners
Houghton County
Houghton, Michigan 49931

We have audited the financial statements of the Houghton County for the year ended September 30, 2004, and have issued our report thereon dated February 18, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the internal control structure over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each

of its major federal programs for the purpose of expressing an opinion on compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of accounting policies and their application. The significant accounting policies used are described in the Footnotes of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded, either individually or in the aggregate, indicate matters that could have a significant effect on the financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants